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REAUTHORIZATION OF THE HIGHER EDUCATION ACT: PROGRAM DESCRIPTIONS, ISSUES, AND OPTIONS

PREPARED BY THE

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THE LIBRARY OF CONGRESS

FOR THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

FEBRUARY 1985

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FOREWORD

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC, February 13, 1985.

As chairman of the Committee on Labor and Human Resources I am pleased to approve the printing of a report compiled by the Congressional Research Service, entitled: "Reauthorization of the Higher Education Act: Program Descriptions, Issues, and Options." This report was requested on November 16, 1984, by Senator Kennedy, Senator Quayle, Senator Pell and myself. Our intent was to obtain a thorough overview of the Higher Education Act prior to the committee's work on reauthorizing Public Law 96-374 which expires during the 99th Congress. The Higher Education Act is this committee's single largest program, and one of its most important programs. It consists of twelve separate titles that together impact all of postsecondary education in America.

I wish to commend the Congressional Research Service on its prompt and exceptionally detailed response to our request. I expect that this report will be valuable to the members, their staffs and everyone who has an interest in the Higher Education Act.

Sincerely,

ORRIN G. HATCH, *Chairman.*

Congressional Research Service
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Washington, D.C. 20540

LETTER OF SUBMITTAL

February 1, 1985

The Honorable Orrin G. Hatch
Chairman, Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In response to the request from you; the Ranking Member, the Honorable Edward M. Kennedy; the Honorable Claiborne Pell; and the Honorable Dan Quayle, I am pleased to transmit this report, "Reauthorization of the Higher Education Act: Program Descriptions, Issues, and Options." Your request is especially timely since the Committee plans to review this legislation and consider reauthorization options during the 99th Congress.

This study, as discussed with Committee staff, includes background information and a discussion of issues and options for each title of the Act. Additional sections provide basic data about higher education in the United States, a summary of issues confronting higher education, and an overview of research and development activities being conducted in higher education institutions. The Appendix contains a brief summary of the recent report entitled "Involvement in Learning" and abstracts of the reports issued by the National Commission on Student Financial Assistance.

K. Forbis Jordan coordinated this project and wrote portions of the report; other portions were written by analysts and specialists in the Education and Public Welfare Division. All contributors are listed on the cover page of the report. Johnnie Martin Smith provided editorial assistance throughout the project.

I hope this report will provide the background information and perspective sought by the Committee and by the Congress as consideration is given to the Federal role in higher education.

Sincerely,

Gilbert Gude

Gilbert Gude
Director

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United States Senate

COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, D.C. 20510

November 16, 1984

Dr. Gilbert Gude
Director of Congressional
Research Service
Library of Congress
Washington, D.C. 20540

Dear Dr. Gude:

During the 99th Congress, the Committee on Labor and Human Resources is responsible for the reauthorization of Public Law 96-374, the Higher Education Act. We request that the Congressional Research Service develop a background report on the twelve titles of this law, their implementation and the major issues that the committee will likely face in reauthorizing and revising the higher education programs. Our intent would be to publish the CRS report as a committee print.

The Higher Education Act is both complex and important. We on the committee feel that a guide would be useful both to the staff and the members.

Thank you for your consideration of our request.

Sincerely yours,

Orrin Hatch

Orrin G. Hatch
Chairman

Edward M. Kennedy
Ranking Member

Dan Quayle
U.S. Senator

Claiborne Pell
U.S. Senator

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

REAUTHORIZATION OF THE HIGHER EDUCATION ACT: PROGRAM DESCRIPTIONS, ISSUES, AND OPTIONS

Prepared for the
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Secretarial production assistance was provided by Johnnie Martin Smith.

SECTION 1
INTRODUCTION

This compendium of papers has been prepared to provide background information as consideration is given to possible reauthorization of the Higher Education Act. These background papers on higher education include a discussion of general issues, basic statistical and demographic information, a brief overview of the Higher Education Act, and a summary discussion of the various titles in the current Act, including a description of programs authorized by the title, legislative history, funding experience, issues related to reauthorization, and illustrative options. The options do not represent recommendations of the Congressional Research Service, but are illustrative of the content of previous proposals or represent a position suggested by past actions, research and evaluation results, or concerns about the program.

Considerable attention has been drawn to reform proposals for American elementary and secondary education since the release of "A Nation at Risk" by the National Commission on Excellence in Education. Several other elementary and secondary education reform reports were released in 1983; the need for action to improve teaching and to raise school standards was a common theme among reports from a variety of organizations. The primary target audience for these reports was the public at large and public policy figures at the State and local levels.

A series of studies of American higher education is currently underway. The first report, "Involvement in Learning: Realizing the Potential of American Higher Education," was released in October 1984, under the sponsorship of the National Institute of Education (NIE). The report presents a series of recommendations for improving higher education; in contrast to most of the elementary and secondary education reform reports, the target audience for this report appears to be faculty, students, and administrators in institutions. The principal theme appears to be that warning signals suggest a deterioration in the quality of higher education. Consistent with the historical image of institutional autonomy in higher education, the NIE report does not suggest State legislative action that would impose requirements on institutions, but appears to call for a shift from student-driven formula funding to some type of basic support for institutions and for institutions to have more fiscal flexibility.

This effort was followed by a report on the state of the humanities in higher education from the National Endowment for the Humanities (NEH). The major theme of the NEH report was that greater emphasis be placed on the role of the humanities in higher education. Other reports are scheduled from such organizations as the Association of American Colleges and the Carnegie Foundation for the Advancement of Teaching. The unanswered question is whether the series of scheduled reports concerning higher education will receive the same level of attention from the media and public policy figures and will provide some impetus for broad-based reform of public and private graduate and undergraduate higher education.

The timing of these reports on the status of higher education is especially critical since the Congress plans to hold hearings leading to the reauthorization of the Higher Education Act (HEA) during the 99th Congress. The HEA was first enacted in 1965 as a Federal effort to increase student access to higher education opportunities. In considering this legislation, the Congress faced the policy choice of whether Federal programs and funds should be focused on aid to students or aid to institutions. Certain titles, i.e., title II for libraries, title III for strengthening developing institutions, and title VII for construction, contain authorizations for direct aid to institutions, but the major focus of the Act, and the great majority of the funds, has been on student assistance in the form of direct and guaranteed loans and grants for students through title IV.

BACKGROUND

Higher education in America began to develop with the formation of essentially private institutions during the colonial period primarily to prepare males for the ministry and teaching, and has evolved into a mosaic of private and public colleges and multi-purpose universities. Starting with the enactment of the First Morrill Act in 1862, which led to the formation of the Land-Grant system of State universities, and continuing with funding for a wide range of research and development activities, the Federal Government has been an active partner with State and private interests in the development of American higher education.

The American higher education delivery system can best be described as a dispersed matrix of public and private institutions that are to varying degrees both independent and interdependent. Traditionally, private institutions have valued their independence in governance, but they have worked with public institutions in creating and nurturing the voluntary accrediting agencies for both institutions and programs, been subjected to State review and approval of programs, and generally been willing to meet various requirements that are preconditions for student participation in Federal and State student assistance programs. Interdependence has been illustrated further in the transfer of students among institutions, movement of faculty, and adoption and implementation of accreditation standards applicable to both public and private institutions.

STATISTICAL CONTEXT

A more comprehensive discussion of higher education statistics is contained in Section 4, but the following basic information is presented to provide a context for the first three sections. 1/ Higher education enrollment increased rapidly from the mid-1960s and peaked in the early 1980s at about 12 million students. With some minor fluctuations, enrollments have remained relatively steady through the early 1980s. Even though full-time enrollees have continued to constitute the majority of students, student body average ages have increased, and the proportion of part-time students has increased.

Preliminary estimates of fall enrollments in colleges and universities for the 1984-85 school year indicate that enrollments will be near the 1983-84 record of 12.46 million students. Public institutions showed a slight increase, private institutions were stable, and proprietory (i.e., private profit-making) degree-granting institutions showed a slight loss. The unevenness of the economy appears to be having some interesting impacts on community college enrollments. In those States where the economy is declining, enrollments in community and technical colleges appear to be increasing; in the States where

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1/ Except where otherwise noted, the following statistical information has been summarized from the 1983 and 1984 editions of The Condition of Education. National Center for Education Statistics. U.S. Department of Education.

the economy is stronger, enrollments are declining apparently because of the expanded job opportunities. 2/

Of the over 3,200 higher education institutions in the Nation, almost 1,500 are public institutions. These institutions comprise about 46 percent of the total, and enroll over 75 percent of the students.

More 2-year colleges are in operation than any other single group of institutions. Over 900 of the 1,200 2-year colleges are public institutions. The 2-year colleges comprise more than one-third of the total, and enroll almost 40 percent of the total students. States with the largest number of public 2-year institutions are California (106), Texas (59), and North Carolina (58); and those with the smallest number are District of Columbia (0), Rhode Island (1), South Dakota (1), Idaho (2), and Vermont (2). The number has some relationship to the State's population, but the State's policy concerning the organization of higher education appears to be a major factor in determining the number of 2-year institutions.

Over 800 private institutions offer the baccalaureate or higher degrees; this compares with less than 500 public institutions that offer these degrees. These include the large State universities as well as smaller more specialized public and private institutions. The number of public 4-year institutions varies from 1 in Wyoming and the District of Columbia to 40 in New York, 39 in Texas, and 30 in California. The range for private 4-year institutions varies from 0 in Wyoming and only 1 in Nevada to 168 in New York, 123 in California, and 108 in Pennsylvania.

2/ Evangelauf, Jean. Enrollments Stable This Fall; Faculty Salaries up 7 Pct., Outpacing Inflation Rate. The Chronicle of Higher Education. December 12, 1984. pp. 1, 14.

Funding for higher education comes from governmental sources through direct appropriations and research grants and contracts, student tuition and fees, private sources, and institutional revenues and earnings. For the 1984-85 school year, the National Center for Education Statistics has estimated that expenditures from all sources for higher education will be over $95 billion, with $63 billion for public institutions of higher education, and the balance for private institutions. 3/

Of the revenues received by all institutions in 1981-82, about 13 percent came from Federal sources, 33 percent from State and local governmental sources, 33 percent from student sources (including tuition and fees, as well as room and board), 16 percent from institutional sources, and 5 percent from private sources. For public 4-year institutions, the major difference was an increase to 44 percent from State sources and a drop to 24 percent from sources. For private 4-year institutions, Federal source revenues increased to over 17 percent, State and local government support declined to less than 3 percent, student sources increased to almost 49 percent, and other private sources provided over 9 percent. For private 2-year institutions, the Federal share declined to less than 5 percent and the student share increased to over 79 percent. 4/

Student fees constitute a major source of income for higher education institutions. Between 1980-81 and 1984-85, national average resident undergraduate tuition and student fees increased by over 54 percent (from $880 to about $1,363) for public universities; nonresident by about 56 percent (from about $2,354 to $3,671); and resident (from $959 to $1,548) and nonresident

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3/ Hertling, James. Schooling to Cost $240 Billion in 1984-85. Education Week. August 29, 1984. pp. 1, 12.

4/ U.S. Department of Education. The Condition of Education. 1984 edition. National Center for Education Statistics. p. 80.

graduate (from $2,322 to $3,735) tuition and fees by about 60 percent. Over the same period, resident tuition and required fees increased on the average by about 44 percent for community college students (from $440 to $636). Nonresident increases were slightly less (from $1,265 to $1,815). 5/

About 840,000 faculty members were employed in higher education institutions in 1980. Current estimates suggest that the number may be slightly less than 800,000. The number of faculty members generally follows enrollment trends, but numbers appear to have been decreasing for the past several years as the rate of growth for institutions has declined because of stable student enrollments. Institutions may have reduced staff through attrition or reductions in force as student demand for courses and programs changed. During the period of uncertain enrollment patterns since the 1970s, one of the problems with staffing higher education institutions has been that faculty salaries have failed to keep pace with inflation. Many higher education institutions utilize some form of "merit pay" system in determining salaries, and the lack of growth in pay would appear to be a logical economic response during a period when the supply of qualified faculty exceeded the demand. Of course, shortages have existed and continue to exist in certain disciplines, and the result has been divergent salary patterns among disciplines within institutions. The National Center for Education Statistics (NCES) has reported that average salaries between 1970 and 1982 for all ranks combined declined by 1/5 when adjusted for inflation.

As reported in the NCES publications for the academic year 1982-83, the average salary for all faculty in public institutions was $25,886 and $24,255

5/ Johnson, Jackie M. and Martin L. Harding. Tuition and Fee Rates—A National Comparison. State of Washington. Council for Postsecondary Education. October 1984. (Unpublished report). 29 p.

in private institutions. For full-time professors, the national average was $33,651 in public institutions and $32,935 in private institutions.

FEDERAL ROLE

The higher education delivery system in America consists of a complex matrix of private and public institutions that function with varying degrees of control by State agencies. The Federal Government's direct control over institutions has been limited to setting criteria for an institution to participate in various Federal programs or receive Federal contracts. Various congressional actions have been taken to draw attention to selected national problems, to provide the fiscal resources needed to address these problems, to support "national interest" research activities, and to complement and supplement the role of parents and local and State governments in supporting individuals and institutions. 6/

Federal efforts to address specific problems have included the GI Bill for veterans and the post-Sputnik emphasis on technological studies, neither of which could have been undertaken by States alone. 7/ For the past 2 decades, the bipartisan goal of the Federal higher education program has been to enhance access and choice by providing financial assistance to all qualified students. A continuing debate has been whether the national interest is best served: (1) by designing Federal programs to provide access and choice in higher education;

6/ Administration, College Officials Debate Federal Education Role. Higher Education Daily, October 20, 1981. p. 4.

7/ Ibid.

(2) by allocating Federal aid on the basis of institutional or student merit; or (3) by developing programs based on a blend of these and other goals. 8/

From the enactment of the First Morrill Act in 1862 and continuing through the passage of the legislation forming the National Science Foundation, certain Federal efforts have been devoted to maintaining the capacity and quality of the Nation's universities and the flow of talent into academia. 9/ Examples of these efforts may be found in the current interest in development of high technology capacities and the improvement of programs in science and engineering.

Issues concerning the Federal role are related to the degree to which the Federal Government should provide financial support for postsecondary education, the extent to which it should exercise control over institutions, the extent to which it should assume special responsibility for a limited number of broad purposes, and the extent to which it should emphasize quality/capacity-building versus broadened student access and choice. Various spokespersons have expressed different points of view concerning the following options for Federal action:

--promotion of access and choice in a manner that will permit students from low-income families to select both their field of study and the institution that they will attend;

--provision of aid to students rather than aid to institutions for the purposes of encouraging diversity and preserving institutional autonomy and integrity;

--as an integral part of the efforts to increase access, provision of a relatively large flow of student aid funds to States and areas that have low per capita income, and to institutions that enroll large proportions of low-income students;

8/ The Federal Role in Postsecondary Education: Unfinished Business, 1975-1980, March 1975. In The Carnegie Council on Policy Studies in Higher Education. A Summary of Reports and Recommendations, 1980. p. 34.

9/ Administration, College Officials Debate Federal Education Role, p. 5.

--development of Federal programs of aid to both public and private institutions to facilitate the maintenance of a dual system of higher education;

--provision of direct support for scientific and technical research activities that are related to the Nation's continued economic productivity, growth, and competition in the world marketplace;

--support of graduate education through fellowships or traineeships continuously throughout the years of preparation for the doctorate, or through research grants that fund teaching or research assistants in specific academic areas;

--provision of funds to maintain a limited number of quality programs in areas critical to the national interest even during a period of low student demand;

--leadership to improve not only access but also the quality of undergraduate education for the mass of students;

--allocation of funds to maintain higher education research capabilities by updating laboratory equipment, computers, and related technological equipment used in instructional and research activities; and

--direct support for research libraries to support research projects and graduate education in a selected number of "quality" institutions.

SECTION 2
HIGHER EDUCATION CONDITIONS AND ISSUES

Over the past 300 years, a mixed system of public and private higher education institutions has developed in the United States. To some extent, purposes and functions of the two types of institutions are not discretely different, and the distinction between public and private becomes more blurred when one considers the large amount of government research that takes place in a select few private institutions and the amount of private funding received by many of the large public universities.

As students select a public or private higher education institution, they do not foreclose later options. Programs are generally available in both types of institutions. One can attend a variety of institutions and be equally admissible to graduate and professional schools in both private and public institutions.

None of the private institutions have enrollments as large as those found in many of the large State Land-Grant universities. However, to a limited degree, a few relatively small public institutions have programs very similar to those in some of the traditional private liberal arts colleges.

In some States, private higher education institutions receive public aid in the form of capitation grants, and in a few States, funds are provided for construction of facilities. However, this limited funding for direct operation of institutions is not the major source of public funds for assistance to private institutions. Most of the public support comes in the form of student assistance progams, and the contention is often made that these funds constitute a form of indirect aid to the institution that the student attends. State and Federal grants, scholarships, and subsidized loans normally are equally available to students in either public or private institutions. However, students are not confronted with equal-cost choices because tuition and fees typically are higher in private institutions, and differentials in assistance levels, if available, normally are not sufficient to offset the increased cost of attending a private institution. However, recent increases in non-resident tuition at public institutions have reduced some of the cost difference.

Specific conditions and issues in higher education have been identified and discussed in the following portions of this section. First, attention is given to the institutional purposes of higher education in the Nation, and basic information is provided about the higher education enterprise. Attention is also given to the supply and demand conditions related to faculties for higher education institutions.

Next, the discussion shifts to the sources of funds for all institutions. The principal sources are identified, and attention is given to issues related to Federal funds being used for student assistance or institutional support. A brief discussion is provided concerning the trends in public support for private higher education. As an extension of the general information about institutional support, background discussion has been included about higher education tuition policies and some of the underlying issues.

Following the overview of institutions and source of funds, procedures for determining institutional eligibility for participation in Federal grant and loan programs are reviewed. Matters of continuing concern about higher education include economic benefits of individual and societal investment in higher education, rates of return, and potential implications of changes in the economy and job market conditions. The closing portion of this section addresses concerns related to private sector support.

INSTITUTIONAL PURPOSE

Debates about the institutional purpose of higher education in America have been prevalent since the first higher education institutions were established primarily for the preparation of ministers and teachers. These early institutions evolved into the liberal arts institutions that spread throughout the Nation. Dramatic changes began to take place in American higher education with the passage of the First Morrill Act in 1862 and the formation of the Land-Grant college system.

The system of the State universities developed with research and service as functions co-equal with teaching. As public elementary and secondary education became universally available, first normal schools, and subsequently teachers colleges, emerged to train teachers for elementary and secondary schools. These additional functions made knowledge development (and not just the dissemination of knowledge) an integral part of higher education's mission. The American system of public and private higher education is somewhat unique in the western world in its role in the social and economic development of the Nation. One of the continuing issues in higher education is the degree to which America's citizens understand this key role for higher education and are willing to provide the prerequisite level of funding.

Traditional broad purposes of American higher education have included improving the quality of life and assisting the development of a better informed citizenry. Through a combination of admission policies, commitment to access, and relatively low tuition, American higher education--especially in the public sector--has provided opportunities for upward social and economic mobility and has expanded opportunities for minorities and women. Even with the strides that have been made, some matters of unfinished business remain. For example, some observers would contend that universal access has not been achieved for all who want and are able to benefit from higher education, and that higher education needs to develop a better response to societal problems as well as to opportunities resulting from technological advancements.

ENROLLMENT TRENDS

Planning for a decline in the number of persons of traditional college age and organizing programs to serve part-time and older students are among the challenges confronting the higher education community during the 1980s. Current population projections indicate that the traditional college-age population of 18- to 24-year olds will decrease during the decade. College administrators and public policy makers are searching for relief and creative solutions at the institutional, State, and Federal levels.

During the 1960s, the college-age cohort grew by 53 percent (from 16.1 million in 1960 to 24.7 million in 1970). This growth slowed to a 19 percent increase during the 1970s (to 29.5 million in 1980). However, this trend is predicted to reverse in the 1980s with this cohort shrinking by 15 percent (to 25.1 million in 1990--or to the approximate 1970 level). The Bureau of the Census estimates that the 18-year old population will decline through

1986 but then will increase slightly. By 1990, the 18-year old population is expected to decline again. 1/

In addition to the decline, other changes are predicted for the Nation's college-age population. By 1990, minorities will make up 30 percent of the college-age youth. Most large States already are serving a high percentage of minority students in the public higher education institutions: 32 percent in New York; 43 percent in California; 46 percent in Texas; and 33 percent in Maryland and Florida. These students likely will become a major component in higher education enrollment in the 1990s. 2/

The proportion of the total population in the 18-21 age group increased from 1960 to 1980, but the rise was much lower during the 1970s than in the 1960s. Between 1985 and 2000, projections for the 18-21 group show a continuing decline with the age group's proportion being 5.4 percent lower in 2000 than in 1985. Between 1985 and 1995, this age group is projected to decline and then increase slightly between 1995 and 2000, but the number will be below the 1985 level. Among the regions of the Nation, for New England, Mideast, and Great Lakes regions, a decline in excess of 15 percent is projected. For the Southeast and the Plains, little change is predicted, and a 6.2 percent increase is projected for the Far West. Significant increases are projected for the Southwest and Rocky Mountain regions; projected increases are 21.3 percent and 47.3 percent respectively. 3/

1/ Three Thousand Futures: The Next Twenty Years for Higher Education. Final Report of the Carnegie Commission on Policy Studies in Higher Education, 1980. 439 pp.

2/ Colleges Face Brave New World by 1990, Study Says. Higher Education Daily, January 17, 1983. p. 5.

3/ Sherman, Joel D. Demographic Trends and School Finance: the Regional Outlook. School Finance Project. U.S. Department of Education. (Working paper). March 1982. p. 7-9.

Other changes also can be predicted in the characteristics of higher education enrollments. Traditionally, enrollment trends in higher education have followed the trends of the 18- to 24-year old population. However, during the 1980s, a movement away from this direct relationship is evident as higher education institutions attempt to attract more older students. Census reports indicate that higher education enrollments are increasing for those Americans beyond the traditional college age--those from 25 through 34 as well as for those over 35. For the past several years, the proportion of this age group enrolled in some kind of postsecondary educational institution has continued to increase to the point that more than one-third of all college students now are 25 or older. 4/

The rising enrollment of older students probably will not completely offset losses of younger students because older students are more likely to enroll part-time. In addition, older students often have different goals and needs. The continuing education of mid-career adults may become a third tier in addition to undergraduate and professional or graduate work among the basic postsecondary enrollment groups. 5/

Status of Institutions

Analysis and predictions based on the 1980 census suggest dramatically different futures for different regions of the Nation. Population declines

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4/ Magarrell, Jack. The Enrollment Boom Among Older Americans: 1 in 3 College Students Is Now Over 25 Years Old. The Chronicle of Higher Education, May 4, 1981. p. 3.

5/ Drucker, Peter F. As Education Heads into a "Baby Bust," Competition and Diversity Will Prevail. The Chronicle of Higher Education, May 4, 1981.

have been projected for some regions, no growth for others, and increases for others. The trend in the 1980 Census has been maintained in the 1983 estimates. States in the South and West experienced the greatest growth between 1980 and 1983 with Alaska, Arizona, Florida, Nevada, Oklahoma, Texas, Utah, and Wyoming having increases of 9 percent or more. In actual numbers, California increased over 1.5 million, Texas slightly under 1.5 million, and Florida over 900,000. 6/

For higher education, the future includes a pattern of regional differences as well as different futures for particular types of institutions. A Carnegie Foundation report has projected a future for each major type of institution. 7/ Even though the projections seem logical, this scenario is generally, but not universally, accepted.

Public Institutions

Among public higher education institutions, the large multi-purpose State universities, in all likelihood, will not be adversely affected. However, regional State universities may lose enrollment because they are located in rural areas and typically do not have the financial base, an historical image of programmatic quality, or the capacity to expand into graduate or adult education programs. 8/ Projections for community colleges are more positive because

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6/ Sun Belt's Population Burgeons. The Washington Post, November 23, 1984. p. A6.

7/ The following discussion has been summarized from Three Thousand Futures, Final Report of the Carnegie Council on Policy Studies in Higher Education, 1980.

8/ Bulkeley, William M. "Baby Bust" Enrollment Drop Seen Having an Uneven Effect. The Wall Street Journal, December 14, 1982. p. 33.

these institutions can seek relief by providing adult education programs and enrolling more non-traditional students.

Private Institutions

Prestigious private schools are predicted to have little trouble maintaining enrollment trends during this period because they will expand the market from which they draw their students. They will rely upon their image and prestige to ensure their survival. For example, to compensate for the decline in the college-age cohort, these highly selective institutions recently have increased their national recruitment efforts. However, some of these schools may have some difficulty maintaining the quality of their student bodies.

Predictions about small, church-related 4-year colleges are somewhat mixed. Those associated with some of the more conservative denominations likely will not be adversely affected as their initial support base (which in some cases is growing substantially) continues to serve as advocates for these institutions and assist them in both funding and attracting students. Institutions related to other denominations may fare less well in the competition for students and private funds.

Traditionally black private colleges will have greater problems because of the potential reduction in Federal student grants and loans, competition for students, and reduced availability of private funds.

In general, private school enrollments, full-time enrollments, and 4-year institution enrollments may be the most vulnerable sectors for a decline in the 1980s. The less well-established private schools may be priced out of the market by the options at the "better" private schools and the public institutions. The impact likely will be greater on the small, largely liberal arts, private colleges--those that generally enroll fewer than 1,000 students. These smaller institutions account for over half of the private institutions by number, but enroll less than 1/5 of the total private school student population. 9/

The problem of institutional survival is even more severe because of the location of the Nation's private colleges. Most are found in the Northeast and Midwest "belt" that runs from Maine through Iowa down to Missouri. This band of States, together with the District of Columbia, accounts for about 30 percent of U.S. public-college students; but private institutions in these Northeastern and Midwestern States enroll over 60 percent of the Nation's private college students. 10/

Between 1976 and 1981, the enrollment at private 4-year institutions remained about the same. However, by 1986, the National Center for Education Statistics (NCES) projects a 13 percent decline (17 percent if the NCES low projections are used) for these institutions. No other group of institutions is projected to experience a decline of this magnitude.

Over the 20-year period between 1960-61 and 1980-81, NCES reported that a total of 240 higher education institutions closed. Of this total, 204 were private institutions, and 112 were 4-year institutions. During the 1960s, 95 institutions closed, and 78 were private institutions. During the 1970s, 141 institutions closed, and 122 were private. Over the 20 years, 112 4-year and 92 2-year institutions closed. As stated previously, in 1981-82, about 800 4-year private institutions were in operation.

9/ Ibid.

10/ Newitt, Jane. The Private College Crisis Ahead. Higher Education, October 1981. p. 149.

The fate of many private institutions remains in doubt, but the likelihood is that a number will be forced to close. Many are not located in urban areas, and thus generally have limited their market to full-time, boarding students. Even if the potential for part-time enrollment can be identified, other problems remain. Institutions may not wish to respond to this potential source of students because of tradition and policy, the lack of suitable facilities, a weak financial base, and the lack of risk capital required for new ventures.

FACULTIES

The interaction of two demographic conditions has contributed to some anxieties about the supply and demand for higher education faculty members. First, various observers have suggested that the demand will decrease because a number of higher education institutions will be forced to close because of declining enrollments and economic pressures. Regardless of whether a number of institutions close, the possibility of declining enrollments in some institutions makes faculty job security uncertain. As enrollments become stable or decline, and as institutions are faced with the necessity to curtail or terminate programs, these changes inevitably will have an impact on college and university faculty.

Second, as a result of large faculty expansions of the 1960s, today's college and university faculty can best be described as middle-aged. The combination of stable or declining enrollments and the concentration of full-time tenured faculty between the ages of 30 and 50 suggest a very limited number of junior faculty openings or replacement opportunities for the immediate future during this period of stability or decline. Some fear, that with the limited number of new jobs and opportunities for advancement, institutional and faculty development may be retarded, and excellence may go unrewarded. By the turn of the century, conditions likely will be reversed when many current faculty members will be retiring, and competition likely will be intense for persons with high potential. The current buyer's market will be replaced with a seller's market, and beginning professors will find themselves in a more favorable economic conditions.

A recent study of college faculties indicates that American colleges and universities will need to replace virtually the entire professoriate in the next 25 years. The study further indicates that the problem is more immediate than it might appear because the average time between receipt of a bachelor's degree and the doctorate is 10 years. 11/

At least for the next decade, as higher education enrollments decline or remain stable, and as educational institutions begin to serve a somewhat different student population, the administrative challenge will be how to shift or retrain existing faculty to meet new needs. In addition to providing programs that will enable the institutions to respond to the needs of a changing student body, institutions will also be confronted with other challenges. For example, efforts of institutions to take affirmative action in employment may be thwarted. With few new positions available and little faculty mobility, it will be difficult to hire more women and minorities. In the same vein, those institutions that are faced with the necessity to "lay off" faculty will find it difficult to maintain current ratios of minorities and women because they typically have been employed most recently.

11/ Evangelauf, Jean. Colleges Must Hire 500,000 Professors in the Next 25 Years. Chronicle of Higher Education. November 7, 1984. p. 1, 29.

INSTITUTIONAL SUPPORT

With funds from State, Federal, and private sources, America's system of public and private higher education has been an active partner in the social and economic development of the Nation. Federal and State Governments have relied upon America's higher education system in times of national crises. The system has demonstrated the capacity to respond to changing conditions, but now faces new challenges.

Higher education expenditures can be divided into three categories: operating and instructional costs of institutions, research projects, and student aid. The five primary sources of funds for higher education are States, local governments, Federal Government, student tuition and fees, and private sources. 12/

In providing higher education institutional support, States (and localities for community colleges) have concentrated heavily on support of public institutions. Direct Federal support for institutions has been limited to specific purposes or types of institutions, but the funds have been spread more or less evenly over both public and private institutions. Private support has tended to be more concentrated on private institutions. 13/

The principal sources for funding research projects have been the Federal Government and, more recently, the private sector. Typically, State research funds have been limited to areas related to the economic development of the particular State. The focus of Federal funds has been on national interests,

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12/ The States and Higher Education: A Proud Past and a Vital Future. May 1976. In the Carnegie Council on Policy Studies in Higher Education: A Summary of Reports and Recommendations, October 1980. p. 81.

13/ Ibid., p. 87.

including defense-related and medical research, as well as social concerns. Private efforts have tended to be for research purposes related to social problems, philanthropic purposes, or the interests of the donor. Recently, several private sector industries and research and development firms have moved toward more direct involvement with higher education institutions by starting joint ventures. (See Section 20 for a discussion of research and development funding for higher education.)

This distribution of research funds reflects developments over the past several decades. First, funds for research at the universities have increased significantly, with most of the increase coming from the Federal Government. Second, public support of students from lower-income families has grown dramatically as the Nation's goal has moved from selective admission to mass participation to universal access to higher education. Third, State and private support has risen largely in direct response to enrollment levels; however, private support has not risen at the same rate as have the State funds. Federal support has risen the fastest of all, but has been less stable because this support typically has been a response to perceived national problems. 14/

The States have not followed a common pattern in their funding of higher education. When viewed in detail, each seems to constitute a separate case. The only consistency is in the variety of patterns States observe in governing and financing higher education. Some States provide only limited support for public higher education institutions, and provide no public funds for private institutions. Others provide strong support for public institutions, but virtually none for private institutions, while others support both systems. As State policy makers have been confronted simultaneously with revenue declines

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14/ Ibid., pp. 83-84.

and requests for additional funds for higher education, as well as for other social services or human resource investments, some States have taken the unpopular course of raising taxes and providing additional support. Others have reduced funds in terms of real levels of support for higher education in general and for research universities in particular. 15/

For several years, many higher education institutions have postponed essential expenditures by deferring maintenance of facilities and replacement of equipment. In some instances, institutions also have shifted faculty assignments to avoid filling vacancies. Continuation of these trends likely will contribute to a backlog of need for repairs to facilities and new equipment, a continuation of the apparent decline in the human talent attracted to higher education, a steady attrition of morale, and a general weakening of institutional effectiveness. 16/ Indicators of this problem include the degree to which faculty pay has tended to lag behind the rate of inflation, and the reported need for multi-billion dollar expenditures to upgrade higher education facilities, especially scientific and engineering laboratories.

In contrast to institutional aid that goes to individual colleges and universities, student aid may be administered through the institution or other public or private agencies or organizations. The Federal Government has been the major source of funds for student assistance since the enactment of the GI Bill, the authorization of fellowships through the National Science Foundation and the National Defense Education Act, and the provision of grants and loans through the Higher Education Act. During the past few years, States have

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15/ Ibid., p. 87.

16/ Does College Cost Too Much? Newsweek, April 12, 1982. p. 56; and Private Colleges Could Be Hurt By Low Salaries, Delayed Maintenance. Higher Education Daily, vol. 1, No. 148, July 30, 1980.

assumed a greater role as they have enacted student grant and loan programs to supplement the Federal programs. With a lower level of funding, but in a more targeted manner, private sources have continued their long tradition of providing limited student assistance.

With the increasing public support for private higher education and the tradition of State institutions, governors and State legislatures likely will control the future of public and private higher education in many States. By their actions, they determine whether public policy decisions will be based on short-term concerns or on longer term issues as decision makers seek to promote growth and development of their State.

In an era of tight financial budgets, the challenge for institutions likely will be to protect the most relevant and highest quality activities, while deciding which others must be eliminated. During this period of reexamination and retrenchment, a continuing dilemma in higher education may be how to resolve the conflict between the pressures resulting from: (1) State and Federal controls; (2) external review to assure maintenance of quality and institutional standards; and (3) the desire to maintain institutional autonomy.

Irrespective of the relative share among the various sources, higher education institutional support will be provided by:

1. taxpayers, through governmental policies that maintain low (subsidized) tuition institutional grants and provide direct aid to students;
2. parents, through past savings, current income, and obligations on future income (loans);
3. students, through savings and self-help (loans, summer and part-time work);
4. colleges and universities themselves, through earnings on their endowments; and

5. businesses, charitable organizations, alumni, and other private donors, through gifts and grants. 17/

PUBLIC FUNDS FOR PRIVATE INSTITUTIONS

Enrollment decline, increased operational costs, capital plant deterioration, and fiscal problems have contributed to increased pressures from advocates for public support for private higher education institutions. These advocates seek public support to preserve the private sector by contending that these institutions: (1) have special contributions to make; (2) reduce the burden on State funds; (3) increase the competitive pressure on public institutions for effective performance; and (4) have greater flexibility in setting standards for salaries and teaching loads or other policies. 18/ Opponents of public aid to private colleges often stress: (1) the dangers of governmental support without governmental control; (2) inadequate funding of public institutions; and (3) church-State issues. Philosophical debate may be unavoidable and healthful, but for public policy makers, the basic question may be how States can make the best possible use of all higher education resources, both public and private. Some of the pressures have been relieved by State and Federal programs that permit student aid to be used in either public or private higher education institutions.

The role of the private sector in higher education in the United States has diminished over the past 50 years. In 1929-30, private institutions enrolled more than 50 percent of all students, but by 1979-80, this proportion

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17/ Gladieux, Lawrence E. The Future of Student Financial Aid, p. 18.

18/ The States and Higher Education: A Proud Past and a Vital Future, May 1976. In the Carnegie Council on Policy Studies in Higher Educatin: A Summary of Reports and Recommendations, October 1980. p. 81.

had fallen to 22 percent. The decline is not due to a reduction of absolute numbers, which actually have quadrupled since 1929-30. Rather, the decline can be viewed as a consequence of the great rise in public enrollment. The decline may become more severe in view of recent estimates that about 1/4 of private institutions are in serious fiscal distress. Some also would contend that the differences in tuition between public and private institutions have caused students to select public institutions. 19/

Almost one-half of the States now give some type of support to private institutions. Combining general aid to private institutions and aid to students attending them, virtually all States have some type of support program. Even though some State constitutions may restrict or prohibit direct aid, several types of indirect and direct aid are provided to private institutions.

Programs take various forms such as the State contracting with private institutions for educational services not offered by public institutions in the State; this type of arrangement was found in 19 States in 1982. General State grants to private institutions were being made on a direct basis or through a consortium in 20 States as of 1982. A third major type of assistance is the sale of bonds for construction or other capital projects; 19 States had some type of bonding program in 1982. Other types of less direct aid include tax-exempt status, tax deductions or credits for contributions, special purpose grants for facilities or interinstitutional cooperation. 20/

A recent summary of State programs indicated that 48 States had some type of student assistance program for eligible college students. Minority

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19/ The States and Higher Education: A Proud Past and a Vital Future, p. 88.

20/ Gregory, Dennis E. Financial Assistance by States to Independent Institutions of Higher Education. Journal of Education Finance. Summer 1984, vol. 10, no. 1. p. 56

and disadvantaged students had access to a cross section of loans, grants, and scholarships in nine States. In addition, 20 States had some type of loan program for undergraduate or professional students. Academic scholarships were available to students of private colleges in 19 States; some were awarded on the basis of academic ability and others on a combination of need and ability. In 43 States, students of private colleges had access to a need-based grant program; 6 States had nonneed-based grant programs specifically for students attending private institutions. 21/

State assistance programs available to private institutions and students in private institutions do not follow a consistent pattern among the States. In some States, programs are restricted to either private institutions or their students; in others, these institutions participate in programs in much the same manner as public institutions and their students. The basic issue over State support for private institutions appears no longer to be whether it should be undertaken, but rather how it should be supplied and to what degree. 22/

Support for public assistance to private institutions has been a matter of debate for generations. Some might contend that free enterprise should prevail in higher education without government institutional assistance; the predictable result is that some institutions would cease to exist. The alternative is for the Federal Government to intervene and provide relief so that selected institutions might survive. The dilemma with this option is what criteria should be used in selecting the institutions to receive assistance and the amount and duration of the assistance. Some would contend that

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21/ Ibid., p. 57-58.

22/ The States and Higher Education: A Proud Past and a Vital Future, p. 88.

the Federal Government already has contributed to the problem because disproportionate research and development funds go to a small number of prestigious public and private institutions.

INSTITUTIONAL VS. STUDENT AID

A matter of continuing debate has been the relative merits of institutional aid versus those of student aid as the primary Federal vehicle for providing support for higher education. At least since 1972, the thrust of the Higher Education Act has been to encourage access to higher education through various student assistance programs. Students are the dominant force in determining the future of institutions as enrollment and program choices are made. The primary goal has been to increase the numbers of underrepresented students among students attending college. Through the combination of guaranteed loans and grants, students from different socio-economic backgrounds have had increased access to the funds required for college attendance.

The counter position is that the current fiscal crisis in higher education institutions is sufficiently severe to justify direct aid to institutions. Other rationales for institutional aid are related to the national interest in maintaining a dual system of public and private higher education institutions, the importance of maintaining centers of quality in various critical programs, and the need to ensure the continued operation of groups of institutions that have traditionally served subgroups of the population. Among the reasons for the present focus of Federal funds is the existence of various research and development funds from such Federal agencies as the Department of Defense, National Science Foundation, and Department of Energy.

Other reasons include the difficulty in determining if the Federal policy in institutional aid should be to promote the development of a few centers of excellence in specific areas or to focus the funds on developing institutions. This latter course of action has been evident in title III of the Higher Education Act. In practice, the availability of Federal funds from outside of the Department of Education has resulted in centers of excellence in certain areas being funded from these sources and developing institutions being funded through the Department.

TUITION POLICIES

Student tuition payments are a major source of support for higher education institutions, but various questions are being raised concerning tuition policies. One is the appropriateness of free tuition. A second is the share of public institutional operating costs that should be borne by students. A third is the degree to which tuition should vary in terms of the costs of different levels of education--community colleges, 4-year institutions, professional schools, and graduate schools. A fourth issue is whether tuition should vary by program in terms of either the actual cost or the relative benefit that accrues to society and to the individual as a result of a person entering a particular profession. 23/

One position is that each citizen should have access to 2 years of free higher education. This practice dates back to the creation of the first public junior colleges in the early years of this century. Also, most State universities and Land-Grant colleges have had a long tradition of very low,

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23/ Low or No Tuition: The Feasibility of a National Policy for the First Two Years of College, May 1975. In The Carnegie Council on Policy Studies in Higher Education, 1980. p. 57.

or no, tuition, although some have departed from this course in recent years. Some supporters of 2 years of low or no tuition base their position on general considerations relating to opportunity in postsecondary education. These persons would contend that maximum access to higher education opportunities should be provided to students in the first 2 years of college even though they may be uncertain about their desire for postsecondary education. Some contend that students should be given maximum opportunity to pursue postsecondary education for the first 2 years, with a minimal financial burden. The opposite position is that higher education institutions should invest their resources in those students who have defined goals and objectives and are likely to complete 4 or more years of higher education. 24/

Other justifications for low or no tuition are related to recent technological developments that have increased the demand for employees with paraprofessional training in several fields. Increasingly, many high school graduates have not been well-equipped to meet the changing occupational requirements they likely will face as adults. Support also comes from those who are concerned with encouraging educational opportunities for adults. For many adults, and especially for married women (with employed husbands), student aid under existing policies is not likely to be available, but low or no tuition may make the enrollment option feasible. Even low tuition policies may not necessarily remove the financial barriers that prevent people from low-income families from enrolling in nearby colleges. The problem of meeting subsistence costs and incidental educational expenses, and the "opportunity costs" of foregone employment, may make it impossible for them to attend

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24/ Ibid.

despite low tuition and relaxed admission policies. Thus, low-income youth are likely to need student aid even when low-cost colleges are accessible. 25/

Societal needs or national priorities also have been presented as justifications for nationally or State-subsidized differential tuition rates. For example, tuition might be low for persons preparing to be teachers because the pay is low and the societal benefit is high, but tuition might be high for persons preparing to enter the medical profession because the pay (and the instructional cost) is high even though the societal benefit is also high.

Some observers have expressed reservations that the open tradition of American higher education is being threatened by the increasing tendency for public institutions to erect financial barriers that restrict interstate mobility of students. Either State legislatures or individual public institutions have begun to take actions such as: (1) higher out-of-State tuition charges; (2) use of State scholarships restricted to in-State institutions; (3) quotas on the number of out-of-State student admissions; or (4) establishment of professional examination standards that favor locally trained persons. Current economic conditions have contributed to this movement and make alternative courses of action more difficult. As an alternative to constructing these higher education "trade barriers," States and institutions may choose to develop more interstate cooperatives. 26/

One school of thought opposes the entire concept of low tuition in public higher education. Adherents to this position contend that tuition should be raised to cover virtually the total educational costs in both

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25/ Ibid.

26/ The States and Higher Education: A Proud Past and a Vital Future, p. 80.

public and private institutions. Public subsidies then could be more effectively targeted to needy students, and public and private institutions could compete for students and resources on a more even basis. Implementation of this policy would force many young students to borrow heavily to achieve their degrees. This position is based on the assumption that the primary beneficiaries of postsecondary education are students, not society at large, and therefore, students should shoulder the costs. Another argument for this position is that the taxpaying public should not be forced to provide heavy subsidies for the education of individuals who will earn above-average income in the future. This action would increase the burden on those parents who directly finance the education of their own children. 27/

INSTITUTIONAL ELIGIBILITY

Concerns about consumer protection and responsible allocation of Federal funds have led to the development of a system for determining those postsecondary institutions (and students) eligible for participation in various Federal postsecondary grant and loan programs. The first actions were taken with the enactment of the World War II GI Bill (Veterans Readjustment Act of 1945) when the Office of Education (later Department of Education) was required to determine eligible institutions. Originally, the Office of Education did review and approve each postsecondary education institution, and relied upon a State approval agency. However, concerns about possible abuses in the State approval process led to changes in approval procedures in 1952; programs and courses for veterans' benefits would be approved if the institution had been accredited by a nationally recognized accrediting agency or association.

27/ Ibid., p. 58.

Rather than leading to the creation of new entities, the result has been that the Federal Government has relied upon the existing voluntary accrediting agencies to determine eligible institutions.

For those institutions not served by the voluntary agencies, or those that do not wish to seek accreditation, the Secretary is authorized to: (1) use the "three letter rule" (letters from three accredited institutions that they will accept student credits for transfer from the institution); or (2) rely upon an ad hoc group to evaluate the institution's program. These options have been used in only a small number of cases.

Voluntary accrediting agencies can be grouped into three broad categories. First, geographical jurisdictions have been divided among the six regional accrediting agencies that assume responsibility for accrediting entire higher education institutions. Second, specialized or programmatic agencies have been formed for segments of institutions such as the various professional schools, e.g., law, medicine, library, engineering, and education. Third, specialized agencies have been created to serve specialized postsecondary non-baccalaureate institutions.

The Department has assumed the role of accrediting the accrediting agencies. An advisory committee (appointed first by the Commissioner of Education, and now the Secretary of Education) has reviewed the status of each applicant accrediting agency and made recommendations to the Secretary. The process includes a set of recognition criteria that have been developed in consultation with the accrediting agencies. The principal focus has been on procedures; much of the original attention was given to ensuring that standard procedures were being used. Recently, concerns have been expanded to include an institution's recruitment practices, student refunds, and fiscal stability.

Even though the accrediting agencies consider themselves to be voluntary, the contention may be debatable because postsecondary institutions must be accredited, or otherwise made eligible, so that the institution, and its students, may participate in Federal grant and loan programs. In this context, the accrediting agencies become quasi-public bodies, and some loss of institutional independence might be expected.

The necessity for some means of certifying an institution's eligibility for direct or indirect participation in Federal grant and loan programs appears to have become accepted. Issues include the public interest in prudent use of public funds as well as consumer protection. Critics of the voluntary agencies have been concerned about their resistance to change and slowness to respond to consumer interests and the absence of "quality" standards especially in terms of "outputs" as contrasted with "resource inputs."

An alternative to the current method would be direct selection of eligible institutions by the Federal Government. This choice would eliminate conflicts between the Federal interests and those of the accrediting agencies, but Federal involvement with schools would increase at a time when efforts are being made to reduce Federal regulation and intrusion. A related concern is that considerable costs would be involved if the Federal Government should assume direct responsibility for determining institutional eligibility. Most observers would contend that the criteria and review process of the Secretary of Education's advisory committee have had a positive impact in terms of forcing the voluntary agencies to review their procedures and to include public members on their policy bodies. Advocates for some type of uniform standards or criteria apparently would have reservations about complete reliance upon private non-governmental agencies and procedures in determining eligible institutions.

Another alternative would be to rely upon State agencies to determine institutional eligibility. This approach was used with the original G.I. Bill between 1945 and 1952 when the forerunner of the current system was initiated because of abuses encountered by the Veterans' Administration. This option would relieve some types of institutions of the necessity to create their own accrediting agencies, but some type of Federal requirements or guidelines likely would be required. Other reservations include the variations in capacity and interest in such activities among the States and statutory and constitutional limits on State educational agencies.

No single mechanism for institutional eligibility would appear to satisfy all concerns and interests. Even though the voluntary accrediting associations may have assumed responsibilities beyond their original purpose, the added responsibility appears to be consistent with their basic mission.

BENEFITS AND COSTS

Discussions of postsecondary education often focus on its individual and societal value. Typically, the discussions are premised on definitions of basic categories of benefits and costs. Economic benefits--those directly or indirectly related to the level of goods and services available to an individual or society--are not the only or necessarily the primary benefits of postsecondary education. Societies typically place high value on the benefits of maintenance and transmission of cultural and moral values, the development of character, or the role of social critic performed by postsecondary education institutions. Nevertheless, economic benefits have served as a rationale for private investment in, and public subsidization of, postsecondary education, and thus are considered in any evaluation of the Federal role in this sector.

Economic benefits and costs may be subdivided into certain categories, i.e., private--those adhering solely or primarily to the individuals receiving postsecondary education--and social--those associated with, or benefitting, society. The contention may be made that private costs and benefits should be the primary considerations in individual decisions to attend a postsecondary education institution, but the social costs and benefits should be considered when governments decide whether, and in what specific ways, to provide a public subsidy for such education. One reason for the continuing discussion is that private and social costs and benefits of postsecondary education might vary widely.

Economic benefits and costs, whether private or social, may also be divided between pecuniary and non-pecuniary types. Pecuniary benefits and costs are those which can be expressed in dollar terms, e.g., tuition and fees, higher postgraduate earnings, and foregone earnings of full-time students. Non-pecuniary benefits and costs are those that are not directly translatable into dollars, e.g., differences in employment rates between graduates and others, differences in crime rates, the quality of children raised by graduates, or the relative contributions to national defense. Primarily because of measurement and evaluation problems, the focus of most research in the economics of education has been on pecuniary costs and benefits; however, this condition should not result in non-pecuniary benefits being ignored.

Efficiency and equity are two additional concepts that merit consideration. Efficiency refers to policies or actions that maximize economic growth, or that provide maximum benefits in excess of costs. Equity refers to equal treatment, as shown through either results or opportunity, among different groups, e.g., social, economic, or ethnic.

An implicit assumption of arguments favoring Federal funds for postsecondary education is that the net social benefits--i.e., social benefits in excess of social costs--exceed the net private benefits. Otherwise, if the net private benefits were dominant, individuals acting independently (i.e., without government subsidy) might have sufficient incentive to invest in postsecondary education so as to produce an "optimum" (in cost-benefit terms) number of graduates; however, government might still have a concern over the equity aspects of the distribution of the graduates among different social, economic, and ethnic groups. Private benefits of postsecondary education are evident in higher personal income, but the social benefits are less easily identifiable.

If the assumption held by most economists is accepted that, in the aggregate, higher individual income is based on higher individual productivity, then the high average incomes of college graduates should reflect greater total production (and, all else equal, economic growth) for society. This assumption is the basis for the widely accepted hypotheses of Edward Denison and John Kendrick that increased education levels have played a substantial role in economic growth and productivity throughout American history. According to Denison, the increasing average education level of employees is the source of an estimated 11 percent of American economic growth over the period 1948-1973, while "advances in knowledge"--largely, if not primarily, a product of postsecondary institutional activities--contributed an estimated additional 30 percent of such growth. Kendrick has estimated that increases in average education level per worker and "advances in knowledge" each contributed an estimated 0.8 percent per year in productivity growth to the U.S. economy during 1973-1978. The fact that net annual productivity growth over this period was only 0.8 percent is attributed by Kendrick to the offsetting, negative impact on productivity of such factors as a changing age and sex composition of the labor force, environmental factors, governmental regulation, and investment in physical capital. 28/

Social and economic benefits of postsecondary education other than increases in personal income and productivity include lower rates of unemployment among graduates (compared to those with less education); 29/ higher tax payments based on graduates' higher income; lower crime rates; better health; higher "quality" of graduates' children (e.g., higher educational achievement and better nutrition and health); and higher rates of political and community involvement. Of these benefits, "advances in knowledge" resulting from the research and development activities of postsecondary institutions may have the greatest significance to the Nation's economy.

Nevertheless, the primary benefits of postsecondary education may be private, not social, while the costs—as a result of State institutional subsidies and Federal student assistance—are primarily social. A further contention is that the American economy does not operate according to the "neoclassical" model under which incomes are tied to the value of workers' production; or that even if this tie exists, the productivity results more from on-the-job training and quality of physical capital per worker than from formal education. They argue that formal education does not so much provide production skills as it serves a screening or credentialing function, filtering out potential workers with low ability, motivation, or self-discipline. In this

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28/ For a discussion of these estimates and the methods by which they were developed, see CRS paper, The Contribution of Education to Productivity and Economic Growth: A Comparative Analysis of Three Studies [by] Mary Jane Bolle, July 12, 1983.

29/ For example, it is reported that in March 1984, the average unemployment rate for college graduates was 2.7 percent, while that for high school graduates was 2.7 percent (Higher Education Daily, September 6, 1984).

context, the contentions of the theorists are that higher education not only is correlated with ability, but also helps to perpetuate socio-economic "class" distinctions. Under this contention, the social benefits from postsecondary education of economic growth and productivity are placed in question, and education is viewed as primarily a consumption--not an investment--good from the viewpoint of society at large. As discussed later, a few analysts have gone further to contend that recent "overproduction" of college graduates has actually lowered productivity by creating a morale-depleting gap between graduates' expectations and actual job opportunities.

Measures of Pecuniary Economic Benefits

Pecuniary economic benefits of postsecondary education may be computed in two ways--net (above costs) or gross (without reductions for cost). One measure of the pecuniary benefits of postsecondary education is the increase in estimated lifetime income for graduates compared to such income for those with less education. Such estimates have been most recently prepared by the Census Bureau, and are based on the Current Population Survey data for 1979. The following table shows the Census Bureau's estimates of total lifetime income, by sex, at four different education levels and two different "beginning" ages.

TABLE 2.1. Estimated Lifetime Income, by Beginning Age, Sex, and Education Level, for Full-Time Workers, 1979
(In thousands of 1981 dollars)

	Level of education			
Sex and age	High school	1-3 Years of college	4 Years of college	5 Or more years of college
Male				
18	$1,041	$1,155	$1,392	$1,503
25	954	1,075	1,329	1,444
Female				
18	634	716	846	955
25	567	630	772	900

Source: U.S. Bureau of Census. Lifetime Earnings Estimates for Men and Women in the United States: 1979. p. 3.

According to these estimates, lifetime income rises steadily with higher education levels; however, three substantial limitations have been identified concerning these estimates. First, since they do not take the costs of postsecondary education into account, they do not measure net returns. Second, these estimates implicitly assume constant education-age-income relationships in the future, with no change in the relative supply of, or demand for, employees of different education levels. Third, these estimates, covering long time periods, will be influenced by future rates of productivity and discounting, i.e., a dollar received at some point in the future will be worth less than one received today. Future inflation was taken into account in these estimates by expressing all amounts in 1981 dollars. The estimates are based on zero discount and productivity growth rates. To illustrate the sensitivity of these estimates, if a discount rate of 5 percent and a productivity growth rate of 2 percent were assumed, the estimated lifetime income (beginning at age 18) for men who receive 4 years of college education falls from $1,392,000 to $626,000; while the proportional increase for such men over the income of those with only a high school education falls from 34 percent to 24 percent.

Partly as a result of these difficulties in interpretation, pecuniary benefits of education often are expressed in terms of the rate of return. In this measure, the average annual level of return (i.e., income of graduates in excess of that of those with less education) is expressed as a percentage of the costs of the educational investment (including the cost of full-time students of foregone earnings). This measure has the advantages of taking costs into account, and is therefore a measure of net benefits. The resulting rate can be compared to the rate of return on other investments. This approach would permit decisions about investments in postsecondary education to be based on the degree to which their rate of return equals or exceeds that available on other investments (in financial instruments, for example).

Beginning with the work of Gary Becker in the early 1960s, numerous estimates of the rate of return to postsecondary education have been calculated, all of them at least somewhat different because of different assumptions, population bases, or periods covered. Nevertheless, the estimated rate of return to 4 years of college was generally found to be rather high compared to that for other investments of the period, whether the rate considered was the private or social rate of return. Elchanan Cohn's 30/ compilation of numerous such estimates covering periods ranging from 1940 to 1968 found that estimated private rates of return ranged from 9.6 to 21.4 percent, and that social rates of return ranged from 10.6 percent to 14.3 percent.

30/ Cohn, Elchanan. The Economics of Education, 1979, p. 116.

Rates of return have generally been calculated only for 4-year college graduates, and the remainder of this discussion will focus on such rates. However, studies have generally found rates of return to postgraduate professional education to be higher than for undergraduate programs, and for 1-3 years of college attendance, to be relatively lower. Throughout the 1960s and early 1970s, these estimates were used to help justify increased State subsidization of postsecondary institutions and Federal student aid along with rates of participation increased rapidly during that period.

However, by the late 1970s, substantial debate had arisen over recent trends in the rate of return of postsecondary education, and the implications of these trends for public policy. A leading instigator of this debate was Richard Freeman, who in a book (The Overeducated American, 1976) and several articles argued that in the late 1960s through the middle 1970s, the rate of return to 4 years of college education had declined substantially, no longer exceeding that available for several other types of investments. According to Freeman, by 1973, the private rate of return had fallen to a range of 7.5-10.0 percent (depending on different forecasts for general economic growth) and the social rate to 8.5-10.5 percent. He also found a decline in the ratios of income of new college graduates to that for high school graduates between 1969 and 1973. 31/

Freeman attributed the fall in return rates to a leveling off of the proportion of jobs (in professional and managerial fields) requiring a college degree, while the proportion of youth attending and graduating from college continued to grow. He argued that as a result, increasing percentages of college graduates have become "underemployed"--i.e., have taken jobs for

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31/ Freeman, Richard B. The Declining Economic Value of Higher Education and the American Social System, 1976.

which a high school graduate could qualify—with resulting negative effects on their income and job satisfaction as the realities of the labor market failed to meet graduates' expectations.

While Freeman has generally avoided offering public policy recommendations based upon his findings, others have presented recommendations. In a recent article, 32/ Warren Robinson has argued that the trends discovered by Freeman have continued, with continued negative effects on returns to postsecondary education and job satisfaction, while State and Federal policies have continued to encourage "too many" students to attend postsecondary institutions. He has argued in favor of substantial reduction, or even elimination, of need-based Federal student aid programs, and their partial replacement with a small plan of scholarships limited to high-achieving students from low-income families. He has further argued: (1) that decisions to attend college would be made more accurately and efficiently if such education were not subsidized by either Federal or State Governments, so that students would face the full costs of such education; and (2) that middle-income families could "afford" such education if it still provided a relatively high rate of return under these conditions, whatever the direct cost to them. On the basis of similar assumptions, Douglas Windham has recommended replacement of most current subsidies and student aid with a market-rate student loan program for up to the full cost of education, with an extended repayment period. 33/

32/ Educational Disinvestment. Policy Review, fall 1983. pp. 59-65.

33/ Economic Analysis and the Public Support of Higher Education: The Divergence of Theory and Policy, in Economic Dimensions of Education, National Academy of Education, 1979.

In response to this position, other analysts have stated that portions of Freeman's estimates of a decline in the rate of return to college attendance were miscalculated, and that any decline in return rates in the late 1960s and 1970s was a relatively temporary phenomenon. First, Finis Welch 34/ and others contend that Freeman: (1) wrongly calculated return rates by comparing the wages of college graduates entering the labor market to the average wages of a group of high school graduates with higher average job experience levels including both new entrants and more experienced workers; and (2) used an "overly high" rate of 10 percent to discount future income streams. This would have resulted in the net present value of lifetime income being reduced more for college graduates than high school graduates because income for college graduates peaks at much later ages. Further, the contention is that the entry of the "baby boom" demographic bulge into the labor force depressed wages for all new entrants, whatever their education level, and that the relative income gain from being a college graduate has fallen relatively little. If this were the case, then no "oversupply" (in terms of labor supply and demand) of college graduates would have occurred. Second, Welch and others have contended that any decline in the rate of return to college attendance, whether absolute or relative, was a relatively temporary phenomenon which would end as the number of new labor force entrants declined in the 1980s. Unfortunately, due to the significant time lag in preparing estimates of rates of return for new labor force entrants, empirical data which might be used to test this hypothesis are not yet available, so the current status of trends in return rates to college education remains an open question.

34/ See, for example, The Overeducated American? A Review Article, by James P. Smith and Finis Welch, Rand Corp., 1978; or No Time to Be Young: The Economic Prospectus for Large Cohorts in the United States, Population and Development Review, March 1981, pp. 71-83.

A final form of rate of return analysis for postsecondary education expenditures was undertaken by Randall G. and Lora P. Holcombe, 35/ who attempted to estimate the direct return (in the form of higher personal income taxpayments) to Federal postsecondary education funding. In estimating the potential response to a marginal change in such Federal spending, these analysts calculated a rate of return of 15 percent to the Federal Government for these expenditures. Crucial assumptions made in developing this estimate include that Federal spending reductions would be replaced by tuition increases, and that the marginal college graduate earns the same return to his or her education as does the average graduate.

Any projection of rates of return to college attendance depends, of course, on not only the supply of, but also the demand for educated manpower. An analysis of differing projections of the future market demand for college-educated manpower lies beyond the scope of this paper. Analysts do not agree about the labor demand implications of future technological development. While some have focused on the increasing sophistication and dissemination of computers and other "high technology" equipment as implying an increasing need for highly educated workers, others have argued that the future American economy will require only a relatively limited cadre of developers and designers of "high technology" equipment, while most workers will find such tools to simplify their jobs, not make them more complicated or demanding. Historical and projected data can be mustered in support of either of these positions.

Current trends in aggregate return rates, entry salary levels, and rates of un- and under-employment, do vary substantially by field of study. In a survey of 1976-77 college graduates, published by the National Center for

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35/ The Return to the Federal Government From Investment in Higher Education, Public Finance Quarterly, July 1984, pp. 365-371.

Education Statistics in 1981, 36/ average starting salaries ranged from $9,000 for graduates in the humanities to $15,500 for those in engineering. Rates of unemployment ranged from 0.0 percent for mathematics majors to 10.7 percent for humanities, and 10.5 percent for biological sciences majors. Rates of under-employment (i.e., employment in a job for which a high school graduate would be qualified) ranged from 2 percent in the health professions to 43 percent in the humanities and 35 percent in the social sciences.

Some have contended that Federal student aid programs would be more economically efficient if limited to, or preference were given to, students preparing for careers in fields where demand (as reflected in higher salaries or lower rates of un- or under-employment) is highest, assuming that such demand reflects higher contributions to productivity and economic growth. Opponents of this concept argue that choice of field of study is best left to individuals, that manpower planning on a national scale is contrary to American history and preferences, and that students "choice" will adjust enrollment levels to varying salary levels and other incentives, albeit with a lag.

Another position about the Federal role in postsecondary education is the contention, most often voiced by W. Lee Hansen, 37/ that the provision of student aid on the basis of need alone (with only minimal requirements for "satisfactory academic progress" related to academic achievement or ability) is an inefficient social investment. This argument, coupled with assumptions regarding a decline in the aggregate rate of return to postsecondary education, has been used to support the recommendation that Federal aid be focused on

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36/ Labor Force Status of Recent College Graduates.

37/ Economic Growth and Equal Opportunity: Conflicting or Complementary Goals in Higher Education.

high achieving students alone, perhaps in conjunction with targetting on particular major fields, perhaps also with a secondary consideration of financial need.

A related recommendation might be that since students at "high quality" colleges (using a wide range of measures of "quality," including expenditures per student, average Scholastic Aptitude Test scores, and reputational rankings) have been found to have higher rates of return, efficiency might be enhanced by giving preference to students at such colleges in allocating student aid funds. 38/ However, such recommendations would conflict with the equity goals of student aid programs, and would likely exacerbate existing variations in college participation rates by different economic, social, and ethnic groups. Finally, determination of a method for selecting high achieving or high ability individuals, or "high quality" schools, would undoubtedly be highly controversial and likely subjected to charges of bias.

PRIVATE SECTOR SUPPORT AND COLLABORATION

Private sector support and collaboration are two separate interests in their impact upon higher education. Private support appears to be a mix between civic spirit and individual self-interest. Collaboration suggests a mutual interest in more specific joint research efforts, improved programs, and placement of graduates. Certain traditional cooperative programs between colleges and universities and potential employers are well-established and viewed as beneficial by students, institutions, and firms. These programs include pre-employment work experiences for potential employees and in-service

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38/ See, for example, Foster, Edward and Jack Rodgers. Quality of Education and Student Earnings, in Higher Education. January 1979. pp. 21-37.

training for existing employees. Challenges are related to the capacity of the higher education institutions to respond to employers' needs and their concerns about the content relevancy of programs and courses.

Several factors have contributed to a greater interest in private support for higher education and expanded partnerships between higher education and the private sector. First, Reagan Administration budget proposals have called for a reduction in Federal support for higher education; however, actual dollar levels have not declined for most programs. Second, to reduce the impact of the proposed budget reductions and reverse a societal trend toward greater reliance on government, the President's Task Force on Private Sector Initiatives has been created to search for various ways in which the private sector can assist in resolving problems. Third, even though the cases may be viewed as quite exceptional, the single gifts of $100 million to Emory University and Louisiana State University in successive years provide examples of the manner in which private philanthropy can be used to support higher education. Fourth, recent multi-year research contracts in the $20 million to $100 million range between industrial concerns and higher education institutions have raised questions about institutional autonomy and independence. Fifth, corporations are investing in staff development programs at all levels of education. Each development suggests increased interaction between higher education and the private sector.

The principal sources of private funds for higher education are individual donors, foundations, business corporations, and religious donations. Controls over the use of funds often become a point of contention in voluntary support. Institutions seek maximum flexibility, while donors often want some control over the potential use of funds. Donations and awards are made for a variety of purposes. They may be restricted to specific purposes; used to increase an endowment with only the earnings, but not the principal, available to the institution; or granted with no restrictions. The totals also include funds for capital construction projects and research that is educational in nature and conducted at an educational institution. 40/

Corporate support for education reached an alltime high in 1983. American corporations gave a record $1.29 billion to all of education; historically, about 70 percent of such gifts have gone to colleges and universities. (Such gifts appear to be large and are critical sources of funds for certain educational activities, but they represent less than 1 percent of the $240 billion in expenditures for all levels of education.) A new trend is that more private funds are coming through foundations. These entities appear to have a more stable source of funds. Of the 471 corporations that responded to a recent survey, slightly over half used foundations as the agency for the gift. 41/

40/ Voluntary Support of Education, 1979-80. Council for Financial Aid to Education, May 1981. p. 5.

41/ Desruisseaux, Paul. Corporations Gave a Record $1.29 Billion to Education in 1983, Despite Low Profits. The Chronicle of Higher Education, November 28, 1984. p. 22.

SECTION 3
HIGHER EDUCATION DATA DIGEST

This section contains selected overview data about institutions of higher education (IHEs) and the students they serve. Highlights and trends are portrayed in the figures and tables, and efforts have been made to identify some of the principal factors contributing to these trends. Frequently, the data span a time period of 19 academic years beginning with 1965-1966 and ending with 1983-1984. However, in many cases, comparable data are not available for this entire time period; reported data are for the closest possible approximation of this time period. The choice of this time period is consistent with the enactment of the Higher Education Act in 196[illegible]. This major piece of Federal legislation for financing higher education programs and activities included various new programs and changes in direction for existing programs.

This section presents six basic categories of information on higher education in the U.S. Three of these categories involve financing higher educational costs, i.e., financing of higher education; Federal student financial assistance programs; and costs of attending institutions of higher education. Three others include basic characteristics of IHEs, i.e., enrollments; number of IHEs and instructional staff; and number of graduate and undergraduate degrees earned. The data consider only degree-granting 2-year, 4-year, and university-level educational institutions, and do not include nondegree-granting postsecondary vocational education institutions.

The data used for the tables and figures come from two main sources, annual Digests of Education Statistics prepared by the National Center for Education

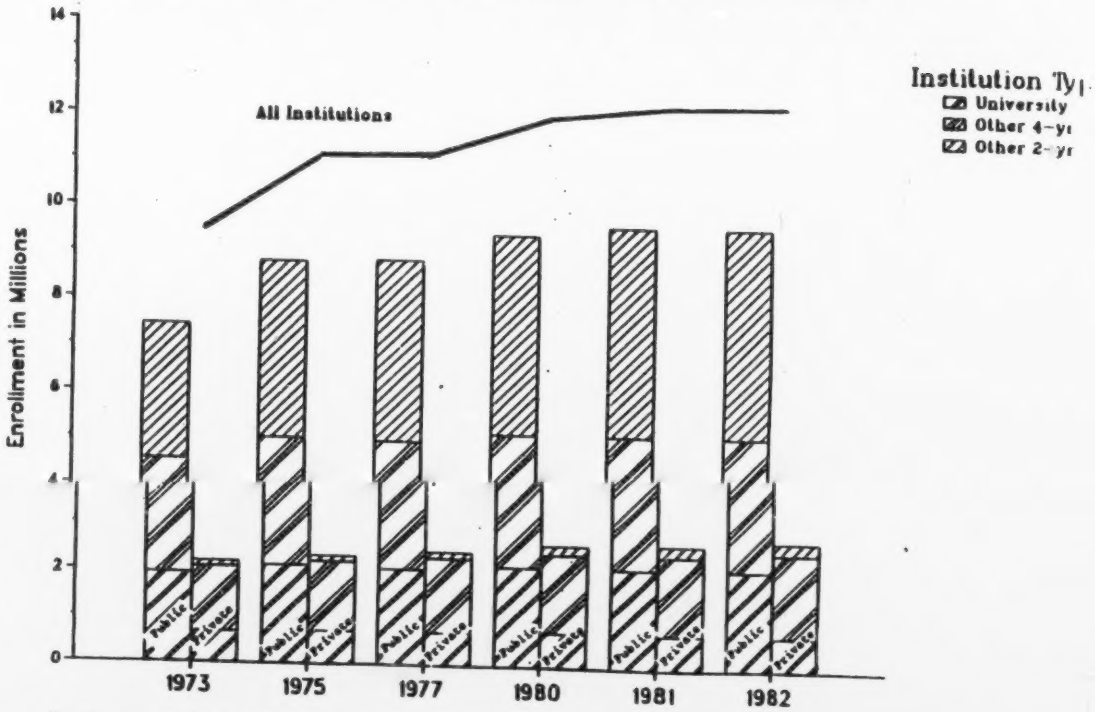
Statistics and "Trends in Student Aid," prepared by the College Entrance Examination Board. Constant and current dollars are used throughout the discussion. Constant dollars refer to the amounts that have been inflated or deflated to the specified year. FY 1984 constant dollars are shown, i.e., amounts for the years prior to 1984 have been inflated to make them more comparable in real value to FY 1984 amounts. Thus, changes over a period of time shown in constant dollars are rough estimates of real changes in dollar value rather than a mixture of real changes and the effects of inflation. When numbers are inflated or deflated, they become artificial--good for comparison purposes with themselves, but they should not be used in comparison with current dollars or with constant dollars using another base year or another price index. The constant dollar calculations are made using price indices taken from the National Income and Product Accounts. Since universally accepted price indices specific to education over time are not available, the constant dollar calculations used in this section, unless otherwise specified, were obtained by using the implicit price deflator for personal consumption expenditures.

Additional information about the higher education programs mentioned in this section is included in the discussions of the individual programs contained in this report.

STUDENT ENROLLMENT

Over the 10-year period of 1973-74 to 1982-83, total enrollments in all IHEs in the U.S. have grown 29 percent from 9.6 million students in 1973 to 12.4 million students in 1982. During this time period, public enrollments rose approximately 30 percent, while private enrollments grew about 25 percent. These data are illustrated in figure 3.1.

Figure 3.1: Total Enrollment in Institutions of Higher Education by Type and Control of Institution, 1973 to 1982



Sources: U.S. Department of Education. National Center for Education Statistics, Digest of Education Statistics, 1983-84. p. 92. Digest of Education Statistics, 1979. p. 88. Washington.

Enrollments at universities 1/ increased by about 9 percent from 1973 to 1982; enrollments at other 4-year IHEs rose approximately 20 percent during the same time. Importantly, enrollments at 2-year IHEs grew about 52 percent in this 10-year period. For all three types of IHEs (i.e., universities, and other 4-year and 2-year IHEs), the increases in enrollments from 1973 to 1977 were almost twice as large as the enrollment increases from 1977 to 1982, reflecting a slow-down in enrollment growth over the latter 5 years.

In 1955, enrollments in public IHEs accounted for 56 percent of all enrollments, while enrollments in private IHEs made up the remaining 44 percent. In 1960, enrollments in public IHEs had risen 3 percent to 59 percent of all enrollments; enrollments in private IHEs had dropped 3 percent to 41 percent. By 1965, public IHE enrollments had increased to 66 percent of all enrollments; private IHE enrollments had decreased to 34 percent.

In 1973, enrollments in public IHEs accounted for 77 percent of all enrollments, while enrollments in private IHEs made up the remaining 23 percent. Similarly, in 1982, public enrollments accounted for 78 percent of all enrollments with private IHEs enrolling the remaining 22 percent. A subtle shift in enrollments, however, has occurred within both public and private sectors from 1973 to 1982. Public universities and other public 4-year IHEs lost 8 percent of their enrollments, and private universities and other private 4-year IHEs lost 3 percent of their enrollments. Thus, while the balance between public and private IHE enrollments has remained relatively constant from 1973 to 1982, both types of IHEs have experienced a slight shift in enrollments away from universities and other 4-year institutions toward 2-year colleges.

1/ Institutions with 4-year undergraduate plus graduate programs.

This discussion of enrollment trends across institutions of higher education reflects an important data constraint. Before 1973, no data were collected on higher education enrollments by type of control (public or private) and type of institution (2-year, 4-year, or university); instead, data were collected on numbers of earned degrees conferred by institutions. Since these two types of data are not comparable, this discussion is limited to enrollment data collected after 1972.

Enrollment by Attendance Status, Sex of Student, and Control of Institution, 1963 to 1982

An analysis of enrollment differences among IHEs by type of institutional control found that, in 1963, public IHEs enrolled 64 percent of all students pursuing higher education studies; private IHEs enrolled the remaining 36 percent. By comparison, in 1982, public IHEs accounted for 78 percent of all higher education enrollments with private IHEs accounting for the remaining 22 percent. Thus, over the past 20 years the balance of higher education enrollments has shifted away from private IHEs toward public IHEs. Additional detail may be found in table 3.1.

Similarly, the balance between male and female students of higher education has shifted over the past 20 years. In 1963, males made up 62 percent of higher education enrollments, while females made up the remaining 38 percent. By contrast, in 1982, males accounted for 49 percent of higher education enrollments; females represented 51 percent of total IHE enrollments.

Finally, a shift from full-time attendance to part-time attendance has occurred at institutions of higher education over the past 15 years. In 1966, 69 percent of all students pursuing higher education studies were in full-time attendance with the remaining 31 percent in part-time attendance. In 1982,

Table 3.1: Total enrollment in institutions of higher education, by attendance status, sex of student, and control of institution: United States, fall [illegible] to fall [illegible]

Year	Total enrollment	Attendance status		Sex of student		Control of institution	
		Full-time	Part-time	Men	Women	Public	Private
1	2	3	4	5	6	7	8
[illegible]	[illegible]	(1)	(1)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	(1)	(1)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	(1)	(1)	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes: 1. Data not available.
2. Includes part-time resident and all extension students.

Source: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics, 1983-1984. Washington. p. [illegible] however, only 58 percent of all students enrolled in IHEs were in full-time attendance; 42 percent were in part-time attendance.

Enrollment by Racial/Ethnic Category and Type and Control of Institution, Fall 1980

In 1980, the total IHE enrollment was approximately 12.1 million students. Of this total enrollment, 81 percent of these students were white, non-Hispanic; 9 percent were black, non-Hispanic; 4 percent were Hispanic; 3 percent were nonresident aliens; 2 percent were Asian or Pacific Islanders; and 1 percent were American Indian/Alaskan native. These percentages of total IHE enrollment for various racial/ethnic groups change very little (less than 2 percent) when calculated for public and private IHEs separately.

In 1980, 78 percent of the total enrollment in IHEs was in public institutions. Thus, it is not surprising that the majority of various racial/ethnic groups enrolled in IHEs were in public institutions in 1980: 88 percent of American Indians/Alaskan natives; 86 percent of Hispanics; 84 percent of Asians or Pacific Islanders; 79 percent of black, non-Hispanics; 78 percent of white, non-Hispanics; and 67 percent of nonresident aliens.

By comparison, the distribution of racial/ethnic group enrollments across types of IHEs is not as uniform as the racial/ethnic distribution between public and private IHEs. In 1980, 56 percent of all American Indians/Alaskan natives enrolled in IHEs attended 2-year colleges. Similarly, 54 percent of all Hispanic enrollments in IHEs were at 2-year colleges. In contrast, 64 percent of all white, non-Hispanic enrollments in IHEs were at universities and other 4-year institutions; 57 percent of black, non-Hispanics and 57 percent of Asians/Pacific Islanders enrolled in IHEs were similarly at universities and other 4-year institutions. Interestingly, 79 percent of the nonresident aliens attended universities and other 4-year institutions in 1980.

EARNED DEGREES

In academic year (AY) 1965-66, U.S. IHEs conferred a total of 709,832 earned degrees. In AY 1970-71, the total number of earned degrees conferred by IHEs had risen to 1,140,292, a 61 percent increase over the total number conferred just 5 years earlier. Since AY 1970-71, however, the rate of increase in total number of earned degrees conferred by IHEs has slowed significantly, reflecting only a 17 percent increase from AY 1970-71 to AY 1975-76 and less than a 1 percent increase from AY 1975-76 to AY 1980-81. Basic data are contained in table 3.2.

Of the 709,832 earned degrees conferred by IHEs in AY 1965-66, 73 percent were bachelor's, 20 percent were master's, 4 percent were first professional degrees, and 3 percent were doctoral degrees. This distribution of earned degrees has changed little since 1966. For example, of the 1,335,793 earned degrees conferred by IHEs in AY 1980-81, 70 percent were bachelor's, 22 percent were master's, 5 percent were first professional degrees, and 2 percent were doctoral degrees.

Further, of the four levels of degrees conferred by IHEs, only first professional degrees have increased in numbers each year since 1965. Over the 15-year period from 1965 to 1980, earned first professional degrees increased by 130 percent, the highest growth rate of any degree program.

From 1976 to 1981, the total number of earned bachelor's degrees conferred by IHEs increased by approximately 2 percent. Over this 5-year period, however, about 5 percent fewer males earned bachelor's degrees, while approximately 10 percent more females earned such degrees. This downward trend for

TABLE 3.2 Earned Degree Conferred by Institutions of Higher Education by Racial/Ethnic Group Level of Degree, and Sex of Students: United States; 1976-77

Level of degree and sex of student	Total	White (non-Hispanic)	Black (non-Hispanic)	Hispanic	American Indian/ Alaskan Native	Asian or Pacific Islander	Nonresident alien
1	2	3	4	5	6	7	8
Bachelor's degrees:							
Total	915,131	805,186	58,515	18,663	3,319	13,745	15,703
Men	491,655	435,659	25,026	10,238	1,797	7,590	11,345
Women	423,476	369,527	33,489	8,425	1,522	6,155	4,358
Master's degrees:							
Total	315,660	265,147	21,024	6,069	967	5,115	17,338
Men	166,462	138,303	7,769	3,266	521	3,116	13,487
Women	149,198	126,844	13,255	2,803	446	1,999	3,851
Doctor's degrees:							
Total	33,111	26,836	1,253	522	95	658	3,747
Men	25,021	20,017	766	383	67	540	3,248
Women	8,090	6,819	487	139	28	118	499

NOTE.—This tabulation excludes degrees not reported by racial/ethnic group. More than 99.5 percent of the degrees conferred were reported by racial/ethnic group and are included above.

SOURCE: U.S. Department of Health, Education, and Welfare, Office for Civil Rights, *Data on Earned Degrees Conferred by Institutions of Higher Education by Race, Ethnicity and Sex, Academic Year 1976-1977.*

Earned degrees conferred by institutions of higher education, by racial/ethnic group, level of degree, and sex of student: United States, 1978–79

Level of degree and sex of student	Total	White (non-Hispanic)	Black (non-Hispanic)	Hispanic	American Indian/ Alaskan Native	Asian or Pacific Islander	Nonresident alien
Bachelor's degrees:							
Total	916,347	799,617	60,130	20,029	3,404	15,336	17,831
Men	472,887	415,301	24,544	10,354	1,730	8,190	12,768
Women	443,460	384,316	35,586	9,675	1,674	7,146	5,063
Master's degrees:							
Total	299,887	249,051	19,393	5,544	999	5,495	19,405
Men	152,274	123,754	7,045	2,775	495	3,324	14,881
Women	147,613	125,297	12,348	2,769	504	2,171	4,524
Doctor's degrees:							
Total	32,664	26,128	1,267	439	104	811	3,915
Men	23,477	18,423	733	294	69	646	3,312
Women	9,187	7,705	534	145	35	165	603

NOTE.—This tabulation excludes degrees not reported by racial/ethnic group: 99.5 percent or more of the degrees conferred at each level were reported by racial/ethnic group and are included above.

SOURCE: U.S. Department of Education, Office for Civil Rights, *Data on Earned Degrees Conferred by Institutions of Higher Education by Race, Ethnicity and Sex, Academic Year 1978–1979.*

Earned degrees conferred by institutions of higher education, by racial/ethnic group, level of degree, and sex of student: United States, 1980–81

Level of degree and sex of student	Total	White (non-Hispanic)	Black (non-Hispanic)	Hispanic	American Indian/ Alaskan Native	Asian or Pacific Islander	Nonresident alien
Bachelor's degrees:							
Total	934,800	807,319	60,673	21,832	3,593	18,794	22,589
Men	469,625	406,173	24,511	10,810	1,700	10,107	16,324
Women	465,175	401,146	36,162	11,022	1,893	8,687	6,265
Master's degrees:							
Total	294,183	241,216	17,133	6,461	1,034	6,282	22,057
Men	145,666	115,562	6,158	3,085	501	3,773	16,587
Women	148,517	125,654	10,975	3,376	533	2,509	5,470
Doctor's degrees:							
Total	32,839	25,908	1,265	456	130	877	4,203
Men	22,595	17,310	694	277	95	655	3,564
Women	10,244	8,598	571	179	35	222	639

NOTE.—This tabulation excludes degrees not reported by racial/ethnic group: 99.5 percent or more of the degrees conferred at each level were reported by racial/ethnic group and are included above.

SOURCE: U.S. Department of Education, Office for Civil Rights, *Data on Earned Degrees Conferred by Institutions of Higher Education by Race, Ethnicity and Sex, Academic Year 1978–1979.*

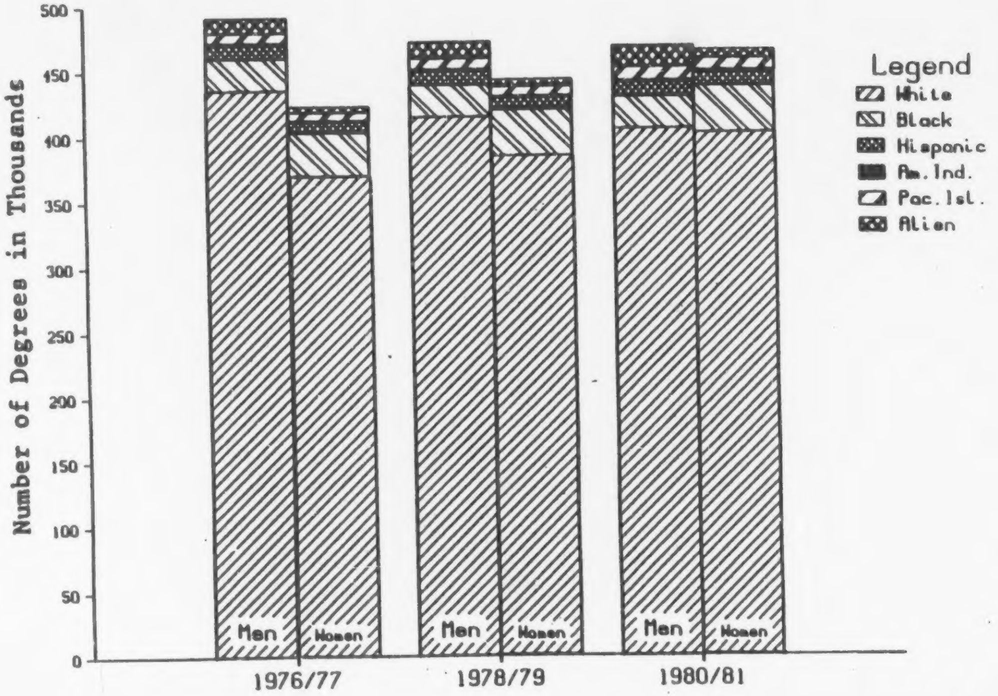
males was characteristic of three of the major racial/ethnic groups; the upward trend for females was reflected in every racial/ethnic group. The three exceptions to the downward trend for males were Hispanics, Asians/Pacific Islanders, and nonresident aliens, all of which showed increases in the numbers of males as well as females earning bachelor's degrees. Detailed information is shown in table 3.2.

The two racial/ethnic groups that experienced the greatest increases in numbers of earned bachelor's degrees from 1976 to 1981 were nonresident aliens (for both males and females a 44 percent increase) and Asians/Pacific Islanders (males 33 percent, females 41 percent). While all other racial/ethnic groups reflected increases in the total number of earned bachelor's degrees, these increases were less significant because the decreases in males earning bachelor's degrees offset the increases in females earning such degrees. These trends are shown in figure 3.2.

From 1976 to 1981, the total number of earned master's degrees conferred by IHEs decreased by about 7 percent. In 1981, approximately 14 percent fewer males earned master's degrees than in 1976; about 0.5 percent fewer females earned such degrees in 1981 than in 1976. This downward trend for males was characteristic of all racial/ethnic groups except for Asians/Pacific Islanders and nonresident aliens, both of which showed increases in the numbers of males and females earning master's degrees. In addition, Hispanics and American Indians/Alaskan natives also showed increases in the numbers of females earning master's degrees. Thus, the slight downward trend for females earning master's degrees was reflected only by white, non-Hispanic, and black groups. Figure 3.3 illustrates these trends.

Again, Asians/Pacific Islanders and nonresident aliens experienced the greatest increases in numbers of earned master's degrees from 1976 to 1981.

Figure 3.2: Earned Bachelor's Degrees Conferred by Institutions of Higher Education by Racial/Ethnic Group, and Sex of Student, 1976 to 1981



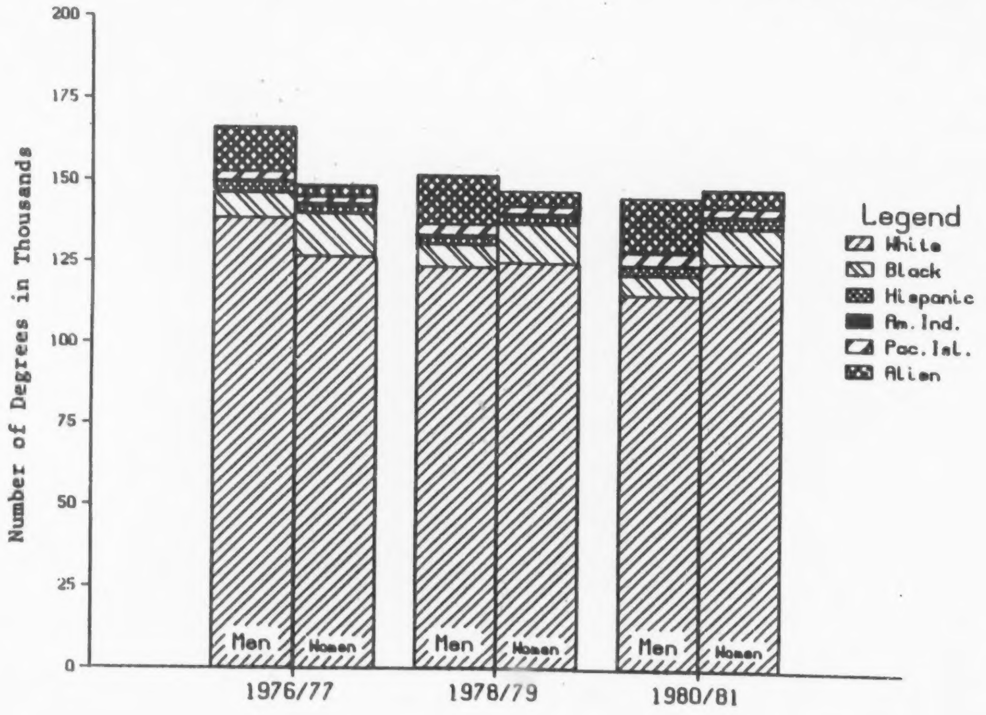
Sources: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics 1983-84. p. 120. Digest of Education Statistics 1981. p. 126. Digest of Education Statistics 1980. p. 127. Washington.

In the first group, approximately 21 percent more males and about 26 percent more females earned master's degrees; in the latter group, approximately 23 percent more males and about 42 percent more females earned master's degrees. Similarly, Hispanics and American Indians/Alaskan natives showed increases in the total number of earned master's degrees from 1976 to 1981; these increases were due to the 20 percent more females earning master's degrees in both groups. Both white, non-Hispanic, and black groups experienced decreases in numbers of earned master's degrees from 1976 to 1981.

During this 5-year period, the total number of earned doctoral degrees conferred by institutions of higher education decreased by about 1 percent. In 1981, approximately 11 percent fewer males earned doctoral degrees than in 1976; however, about 27 percent more females earned such degrees in 1981 than in 1976. This downward trend for males was similar in the three racial/ethnic groups; the upward trend for females was reflected in every racial/ethnic group. The three exceptions to the downward trend for males were American Indians/Alaskan natives, Asians/Pacific Islanders, and nonresident aliens, all of which showed increases in the numbers of males and females earning doctoral degrees. These data are illustrated in figure 3.4.

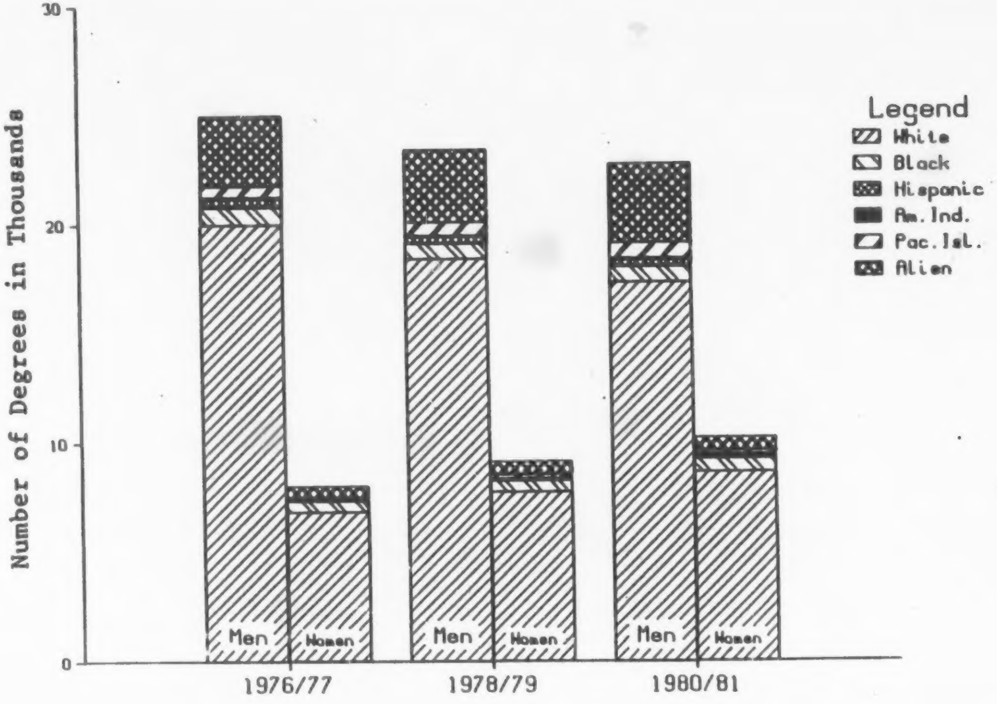
The two racial/ethnic groups that experienced the greatest increases in total numbers of earned doctoral degrees from 1976 to 1981 were American Indians/Alaskan natives (37 percent) and Asians/Pacific Islanders (33 percent); nonresident aliens showed an increase of approximately 12 percent. White, non-Hispanic and Hispanic groups showed slight decreases in the total number of earned doctoral degrees from 1976 to 1981, while black, non-Hispanics showed a slight increase.

Figure 3.3: Earned Master's Degrees Conferred by Institutions of Higher Education, by Racial/Ethnic Group, and Sex of Student, 1976 to 1981



Sources: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics 1983-84. p. 122. Digest of Education Statistics 1981. p. 126. Digest of Education Statistics 1980. p. 127. Washington.

Figure 3.4: Earned Doctoral Degrees Conferred by Institutions of Higher Education, by Racial/Ethnic Group, and Sex of Student, 1976 to 1981



Sources: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics 1983-84. p. 124. Digest of Education Statistics 1981. p. 126. Digest of Education Statistics 1980. p. 127. Washington.

INSTITUTIONS OF HIGHER EDUCATION

The total number of IHEs in the U.S. has grown steadily from 2,230 in 1965 to 3,111 in 1983, an increase of nearly 900 IHEs. Importantly, the number of 2-year colleges has increased from 679 in 1965 to 1,224 in 1983, accounting for almost two-thirds of the total growth in numbers of IHEs. Over one-third of this growth in numbers of IHEs may be attributed to the rise in numbers of 4-year institutions (336). These data are shown in table 3.3 and illustrated in figure 3.5.

Nearly 50 percent of this increase in numbers of IHEs is due to the 106 percent growth in the numbers of public, 2-year IHEs, which doubled during this period, from 420 in 1965 to 864 in 1983. By contrast, private, 2-year colleges only increased by 100 institutions in the same period, reflecting a 39 percent growth rate.

Public 4-year institutions of higher education showed the smallest rise in numbers (71), an increase of 18 percent from 1965 to 1983. By comparison, private, 4-year IHEs grew by 265 in number, a 23 percent increase during the same period.

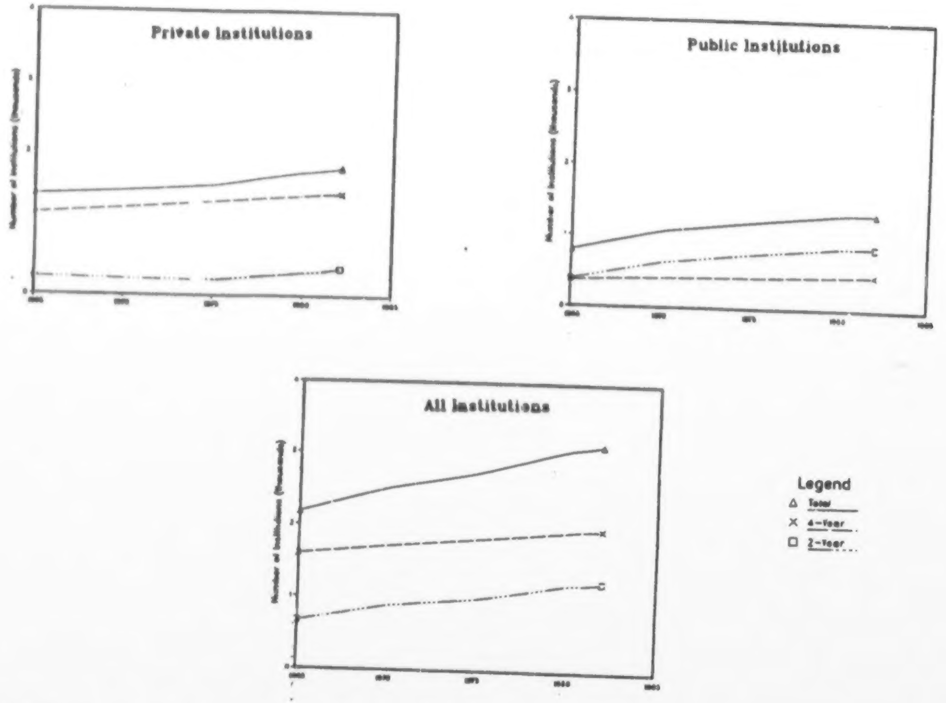
In 1983, 57 percent of all IHEs were privately controlled (a 6 percent decrease from 1965), while 43 percent were publicly controlled (a 6 percent increase from 1965). This shift since 1965 in type of control toward publicly controlled IHEs reflects the significant growth in numbers of public, 2-year colleges. However, because of the larger average enrollment level of public colleges, the proportion of institutions that are public is much lower than the proportion of total enrollments in public institutions.

Table 3.3. Number of Institutions of Higher Education, by Control and Type of Institution: United States, 1965-66 to 1982-83

Year	All institutions			Publicly controlled			Privately controlled		
	Total	4-year	2-year	Total	4-year	2-year	Total	4-year	2-year
1	2	3	4	5	6	7	8	9	10
Excluding branch campuses:									
1965-66	2,230	1,551	679	821	401	420	1,409	1,150	259
1966-67	2,329	1,577	752	880	403	477	1,449	1,174	275
1967-68	2,374	1,588	786	934	414	520	1,440	1,174	266
1968-69	2,483	1,619	864	1,011	417	594	1,472	1,202	270
1969-70	2,525	1,639	886	1,060	426	634	1,465	1,213	252
1970-71	2,556	1,665	891	1,089	435	654	1,467	1,230	237
1971-72	2,606	1,675	931	1,137	440	697	1,469	1,235	234
1972-73	2,665	1,701	964	1,182	449	733	1,483	1,252	231
1973-74	2,720	1,717	1,003	1,200	440	760	1,520	1,277	243
1974-75	2,747	1,744	1,003	1,214	447	767	1,533	1,297	236
1975-76	2,765	1,767	998	1,219	447	772	1,546	1,320	226
1976-77	2,785	1,783	1,002	1,231	452	779	1,554	1,331	223
1977-78	2,826	1,808	1,018	1,241	454	787	1,585	1,354	231
1978-79	2,954	1,843	1,111	1,308	463	845	1,646	1,380	266
1979-80	2,975	1,863	1,112	1,310	464	846	1,665	1,399	266
1980-81	3,056	1,861	1,195	1,334	465	869	1,722	1,396	326
1981-82	3,083	1,883	1,200	1,340	471	869	1,743	1,412	331
1982-83	3,111	1,887	1,224	1,336	472	864	1,775	1,415	360

Sources: U.S. Department of Education, National Center for Education Statistics, unpublished data and special tabulations derived from Fall Enrollment in Higher Education and Education Directory: Colleges and Unversities. Digest of Education Statistics 1983-84. Washington. p. 110.

Figure 3.5: Number of Institutions of Higher Education by Control and Type of Institution, 1965–66 to 1982–83



Source: U.S. Department of Education, National Center for Education Statistics, Digest of Educational Statistics 1983-1984. Washington. p. 110.

COSTS OF ATTENDANCE 2/

Costs of attendance in IHEs increased significantly between 1963-64 and 1983-84. Most of the increase reflects inflation. After adjusting for inflation, average costs of attendance rose substantially at most types of colleges from 1963-64 to 1972-73. Real costs then declined at most types of IHEs for the rest of the 1970s. However, costs of attendance have increased sharply again in the 1980s. (See tables 3.4 and 3.5 for detailed information and figure 3.6 for comparative illustrations.)

The real increase in college costs from 1963-64 to 1982-83 ranged from 23 percent at public universities to 51 percent at private universities. During this period, costs of attendance rose 33 percent at public 4-year IHEs, 41 percent at public 2-year colleges, and 45 percent at private 4-year colleges.

More recently, the real increase (in constant 1984 dollars) in costs of attendance from 1980-81 to 1983-84 ranged from 6.3 percent at public 2-year colleges to 18.9 percent at private universities. Over this 4-year period, college costs rose 13.0 percent at public 4-year IHEs, 13.5 percent at public universities, and 15.5 percent at private 4-year colleges.

Tuition and fees, as opposed to room and board charges, accounted for most of the increases in costs of attendance at IHEs. From 1963-64 to 1982-83, tuition and fees rose 81 percent at public 2-year colleges, 72 percent at private 4-year colleges, 70 percent at private universities, 62 percent at public 4-year colleges, and 54 percent at public universities. By comparison,

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2/ Costs of attendance include tuition, fees, room, and board. The data do not include costs for books, transportation, and personal expenses because there are no reliable data that track these cost items over time. In addition, college room and board charges do not accurately represent the costs of food and shelter for commuting students. Again, reliable data concerning the living expenses of commuter students over time are not available.

Table 3.4: Costs of Attendance in Current Dollars for Selected Academic Years, 1963-64 to 1982-83

	Private University			Other Private Four Year College			Public University			Other Public Four Year College			Community College		
	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total
1982-83	5,583	2,954	8,537	4,329	2,317	6,646	1,164	2,239	3,403	936	2,096	3,032	473	1,917	2,390
1981-82	4,900	2,591	7,491	3,883	2,080	5,963	1,041	2,008	3,049	823	1,883	2,706	438	1,812	2,250
1980-81	4,275	2,291	6,566	3,384	1,859	5,243	915	1,796	2,711	730	1,689	2,419	383	1,635	2,018
1979-80	3,811	2,077	5,888	3,014	1,679	4,693	840	1,647	2,487	662	1,536	2,198	351	1,466	1,817
1977-78	3,354	1,839	5,193	2,362	1,649	4,011	732	1,435	2,167	582	1,342	1,924	301	1,289	1,590
1975-76	2,881	1,586	4,467	2,084	1,301	3,385	642	1,293	1,935	469	1,168	1,637	245	1,141	1,386
1970-71	1,981	1,482	3,463	1,603	995	2,598	478	1,000	1,478	333	876	1,209	186	831	1,017
1963-64	1,216	889	2,105	935	765	1,700	281	745	1,026	215	631	846	97	533	630

Note: Totals do not include expenses for books, supplies, personal items or transportation because consistent time series for these data are not available.

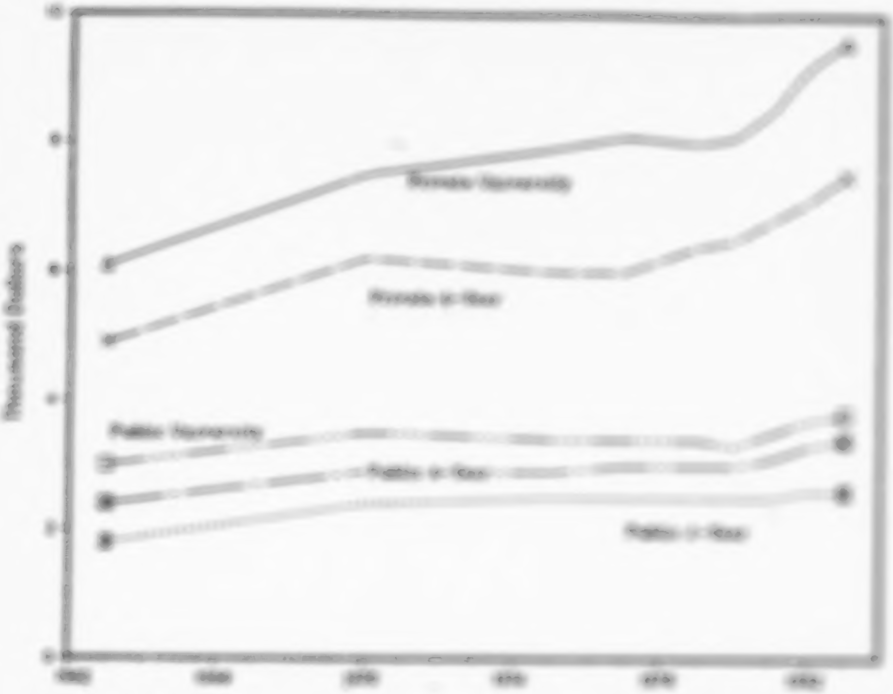
Sources: Tuition, fees, room and board--National Center for Education Statistics, Digest of Education Statistics for 1972, 1975, 1981, 1982, and unpublished data.

Table 3.5: Costs of Attendance in Constant 1984 Dollars for Selected Academic Years, 1963-64 to 1982-83

	Private University			Other Private Four Year College			Public University			Other Public Four Year College			Community College		
	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total	Tuition and Fees	Room and Board	Total
1982-83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1981-82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1980-81	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1979-80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1977-78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1975-76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1970-71	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1963-64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sources: See table 3.4. Constant dollar computations were prepared by the Congressional Research Service.

Figure 36 Cost of Attendance in Constant FY 1984 Dollars
Selected Years, 1963-64 to 1982-83



Source: College Board. Trends in Student Aid: 1963 to 1983. Washington, 1983, p. 19, and College Board. Trends in Student Aid 1980-1986. Washington, 1986, p. 8. Constant dollar computations were prepared by the Congressional Research Service.

room and board charges during this period rose 34 percent at public 2-year colleges, 23 percent at both private universities and public 4-year colleges, and 12 percent at both private 4-year colleges and public universities. Again, both tuition/fees and room/board charges at most types of IHEs declined during the mid- and later 1970s; however, both have increased sharply since 1980.

COLLEGE COSTS AS A PERCENTAGE OF DISPOSABLE PERSONAL INCOME PER CAPITA

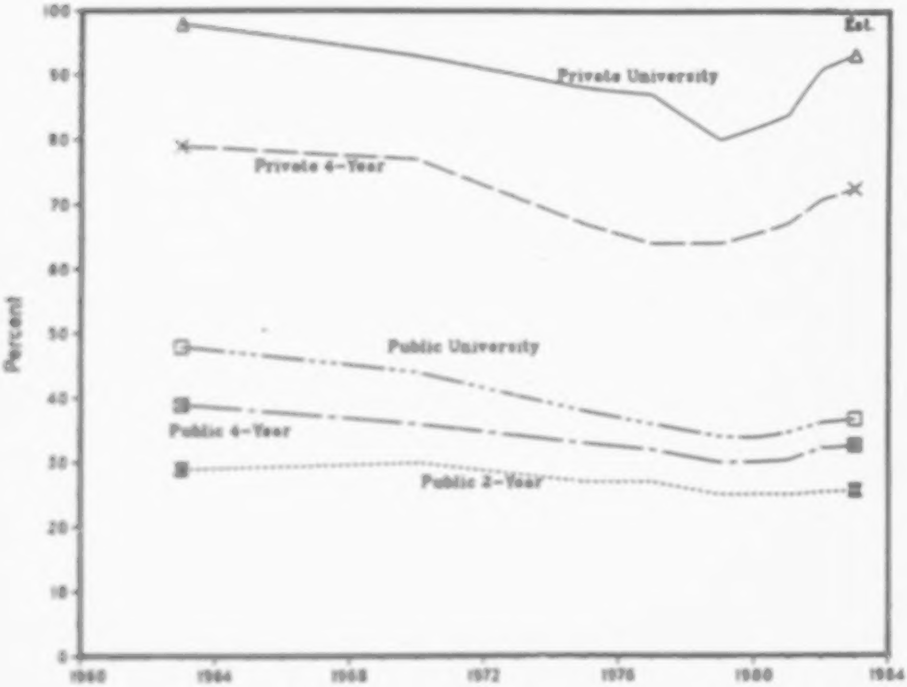
Disposable personal income per capita (DPI) is the average personal income after taxes of everyone in the U.S. It reflects changes in the income of families and of individuals who are not family members, and also reflects changes in taxes.

In current dollars, DPI rose steadily from 1963 to 1984. After adjusting for inflation, DPI increased substantially from 1963 to 1974. Since 1974, however, DPI in constant dollars has remained about the same. In 1982, DPI was 28 percent higher than it was in 1963. This increase suggests that real income has increased approximately 28 percent from 1963 to 1982.

Since 1963, DPI increases have probably exceeded the real growth of college costs (defined to include tuition, fees, room, and board). However, most of the growth in income occurred between 1963 and 1974. The ratio of college costs to DPI declined until the late 1970s and then began to increase. More recently, between 1980-81 and 1982-83, real increases in college costs in constant dollars have ranged from about 4 percent at community colleges to about 13 percent at private universities. Yet, real DPI has remained constant. Consequently, the ratio of college costs to DPI has increased since 1980. Figure 3.7 illustrates these trends.

Private university costs placed the greatest financial burden on DPI, averaging about 93 percent of DPI in 1983-84. This ratio of private university

Figure 3.7: College Costs as a Percentage of Disposable Personal Income Per Capita, 1963 to 1984



Sources: College Board. Trends in Student Aid: 1963 to 1983. Washington, 1983. p. 40. and College Board. Trends in Student Aid 1980-1984. Washington, 1984. p. 10.

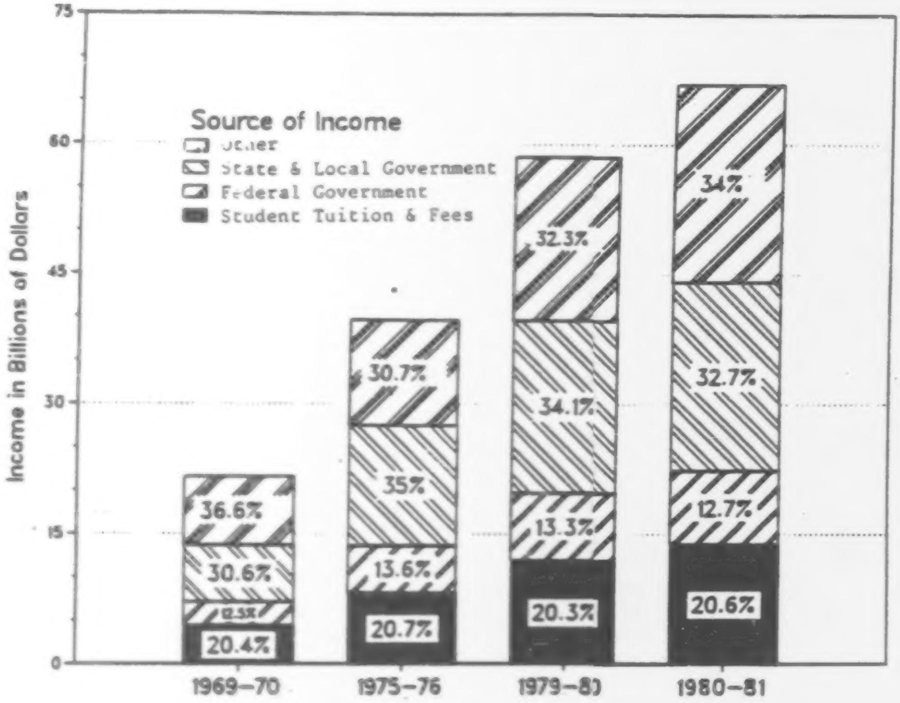
costs to DPI has risen an estimated 13 percent since 1979-80. Private 4-year college costs averaged about 73 percent of DPI in 1983-84, up almost 10 percent since 1979-80. By comparison, in 1983-84, the costs of public universities and public 4-year colleges represented less than half the financial burden of private universities and 4-year colleges on DPI. In 1983-84, the costs of public universities averaged about 37 percent of DPI, while the costs of public 4-year colleges averaged 33 percent of DPI; these estimates for 1983-84 represent a 3 percent increase since 1979-80. It is not surprising that the costs of public 2-year colleges placed the least financial burden on disposable income, averaging about 26 percent of DPI in 1983-84, up only 1 percent since 1979-80.

HIGHER EDUCATION FINANCING

The data in this section represent Federal financing for higher education in the context of Federal financing for all of education. The figures and tables used in this section portray spending in constant and current dollars for education programs in the context of a 21-year span, 1965-1985.

The estimated income of private and public IHEs reached nearly $65.6 billion in academic year 1980-1981, up from $21.5 billion in the academic year 1969-1970. Federal funds represented approximately 13 percent of the total 1980-1981 current-fund income, State and local funds about 33 percent, tuition and fees about 21 percent, and all other income sources, including specifically designated student aid, endowment earnings, and private gifts and grants about 33 percent of the total income of these institutions. These data are shown in figure 3.8.

Figure 3.8 Income of U.S. Institutions of Higher Education for Selected Academic Years



Note: Data are for the 50 States and the District of Columbia. The "other" category used in this table as a source of income includes endowment earnings, private gifts and grants, and research activities.

Source: U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics 1983-84. Washington, 1983. p. 139.

A description of data used in tables 3.6, 3.7, 3.8, 3.9 and figures 3.9, 3.10, 3.11, and 3.12 on Federal financing of higher education follows:

1. Outlays are used as a measure of Federal funds for education. The term is defined by the Office of Management and Budget as checks issued or cash dispersed. Outlays are used for this section since they represent actual Federal spending, rather than the commitments to spend represented by budget authority or appropriations.

2. Current dollars refer to the actual number of dollars spent in a given year. If several years are compared, current dollars do not represent comparable real value because of inflation. For example, $1 billion spent in 1965 has a significantly greater real value or purchasing power than $1 billion spent in 1984. Unless specified, current dollars are the bases for all figures and tables.

3. Constant dollars refer to the amounts that have been inflated or deflated to the specified year. This section uses FY 1984 constant dollars, that is, spending for the years prior to 1984 have been inflated to make it more comparable in real value to outlays in 1984. The implicit price deflator for State and local government purchases of services was used for subfunctions 501 and 503; and the implicit price deflator for personal consumption expenditures was used for subfunction 502.

4. Education outlays are the total outlays of budget subfunctions 501: elementary and secondary education; 502: higher education; and 503: research and general aids. The total of these subfunctions is not comparable to the aggregate outlays for programs administered by the Department of Education. Education outlays used in this section do not include the vocational rehabilitation program--it is included in subfunction 506. Vocational rehabilitation is included in funding totals for the Department of Education. Subfunction 503 includes outlays for programs which are not administered by the Department of Education, including the Corporation of Public Broadcasting, the National Commission on Libraries and Information Sciences, the National Endowments for the Arts and Humanities, and the Smithsonian Institution. Major sources of Federal support for education not represented in this section are the Head Start program, veteran's education, and training of Federal military and civilian personnel. The composition of each subfunction is as follows:

   --subfunction 501, elementary, secondary, and vocational education: compensatory education for the disadvantaged (primarily chapter 1 of the Education Consolidation and Improvement Act ECIA); special programs and projects (primarily chapter 2 of the ECIA); impact aid; Indian education; bilingual education; education for the handicapped; and vocational and adult education;

—subfunction 502, higher education: Guaranteed Student Loans (GSLs); Pell Grants; Supplemental Educational Opportunity Grants (SEOGs); College Work-Study; State Student Incentive Grants; special programs for the disadvantaged; National Direct Student Loans; strengthening developing institutions; and other higher and continuing education programs. The tables prepared for this section present four columns for the higher education subfunction: GSLs, student financial assistance, other higher education, and the subfunction total. The following programs are included in the student financial assistance category: Pell Grants, Supplemental Educational Opportunity Grants, State Student Incentive Grants; National Direct Student Loans; and College Work-Study;

—subfunction 503, research and general education aids: research and education activities of the legislative branch and the Department of Commerce; Corporation for Public Broadcasting; National Commission on Libraries and Information Science; National Endowments of the Arts and Humanities; Institute of Museum Services; Smithsonian Institution; and certain Department of Education activities including the National Institute of Education and the National Center for Education Statistics.

5. Most Federal education programs are either advance- or forward-funded, i.e., funds provided in an appropriation Act (or continuing appropriation resolution) for 1 year are primarily used to provide educational services--thus are actually outlayed--the following year. Therefore, the outlays contained in this section for a given fiscal year may represent appropriations which were provided in previous fiscal years.

Federal spending for the education cluster (i.e., subfunctions 501-503) accounted for 1.7 percent of the estimated total Federal budget outlays for FY 1984. This level represented approximately 8 percent of all public and private funds spent on kindergarten through graduate level education. Most Federal spending for education is discretionary; in other words, the amount of spending in any given year is decided by the Congress through its annual appropriations process, and most of the spending is in the form of grants to States, localities, and institutions. Two major exceptions to this rule are the Pell Grants and GSLs. (Pell Grants, are different in that they are made to eligible college students from low- and middle-income families.) The amount of Federal GSL subsidy in any given year is principally determined by the number and size of loans outstanding, interest rates and defaults. Since financial

TABLE 3.6:
OUTLAYS FOR EDUCATION
FISCAL YEAR 1965 - FISCAL YEAR 1984
IN MILLIONS OF DOLLARS

FISCAL YEAR	SUBFUNCTION 501 ELEMENTARY SECONDARY AND VOCATIONAL EDUCATION	SUBFUNCTION 502				SUBFUNCTION 503 RESEARCH AND GENERAL EDUCATION AIDS	TOTAL EDUCATION OUTLAYS
		GUARANTEED STUDENT LOANS	STUDENT FINANCIAL AID	OTHER HIGHER EDUCATION	TOTAL SUBFUNCTION 502 HIGHER EDUCATION		
1965	$662			$412	$412	$149	$1,223
1966	$1,603		$45	$660	$705	$148	$2,456
1967	$2,202		$226	$934	$1,160	$265	$3,627
1968	$2,428		$460	$933	$1,393	$329	$4,150
1969	$2,351		$571	$662	$1,232	$330	$3,913
1970	$2,728		$501	$882	$1,385	$521	$4,634
1971	$3,110		$893	$529	$1,433	$520	$5,063
1972	$3,483		$1,040	$380	$1,447	$523	$5,453
1973	$3,336		$1,155	$333	$1,532	$668	$5,536
1974	$3,329		$970	$295	$1,349	$867	$5,545
1975	$4,176		$1,493	$446	$2,050	$954	$7,180
1976	$4,190		$2,261	$269	$2,663	$782	$7,635
TRANSITION QUARTER	$1,067		$537	$144	$739	$188	$1,994
1977	$4,589		$2,578	$384	$3,104	$934	$8,627
1978	$5,125	$546 a/	$2,516	$425	$3,486	$1,082	$9,693
1979	$6,019	$898	$2,871	$759	$4,528	$1,234	$11,781
1980	$6,732	$1,408	$3,683	$603	$5,694	$1,357	$13,783
1981	$7,104	$2,259	$3,906	$627	$6,792	$1,169	$15,065
1982	$6,780	$3,024	$2,733	$750	$6,506	$1,041	$14,327
1983	$6,294	$2,556	$4,044	$632	$7,231	$1,055	$14,580
1984	$6,481	$3,245	$3,743	$354	$7,342	$1,332	$15,155

a/ Prior to this year, Guaranteed Student Loans were included in Student Financial Aid.

NOTE: TABLE PREPARED BY CONGRESSIONAL RESEARCH SERVICE. DETAIL IN TABLE MAY NOT ADD TO TOTALS BECAUSE OF ROUNDING. EDUCATION TOTALS ARE THE SUM OF SUBFUNCTIONS 501,502 AND 503 AND ARE NOT COMPARABLE TO AGGREGATE FUNDING TOTALS FOR THE DEPARTMENT OF EDUCATION.

SOURCES: ALL AMOUNTS EXCEPT GUARANTEED STUDENT LOANS, STUDENT FINANCIAL ASSISTANCE, AND OTHER HIGHER EDUCATION WERE OBTAINED FROM FEDERAL GOVERNMENT FINANCES. 1985 BUDGET DATA. OFFICE OF MANAGEMENT AND BUDGET, FEB. 1984. GUARANTEED STUDENT LOAN AND STUDENT FINANCIAL ASSISTANCE OUTLAYS WERE OBTAINED FROM PAYMENTS FOR INDIVIDUALS. 1985 BUDGET DATA. OFFICE OF MANAGEMENT AND BUDGET. FEB. 1984 1984 OUTLAYS WERE OBTAINED FROM THE U.S. TREASURY STATEMENT OF RECEIPTS AND OUTLAYS OF THE U.S. GOVERNMENT, FY 1984.
OTHER HIGHER EDUCATION OUTLAYS ARE ESTIMATES BASED UPON THE TOTAL HIGHER EDUCATION OUTLAYS AND THESE STUDENT AID FIGURES.

TABLE 3.7:
OUTLAYS FOR EDUCATION
FISCAL YEAR 1965 - FISCAL YEAR 1984
IN MILLIONS OF CONSTANT 1984 DOLLARS

FISCAL YEAR	SUBFUNCTION 501 ELEMENTARY SECONDARY AND VOCATIONAL EDUCATION	SUBFUNCTION 502				SUBFUNCTION 503 RESEARCH AND GENERAL EDUCATION AIDS	TOTAL EDUCATION OUTLAYS
		GUARANTEED STUDENT LOANS	STUDENT FINANCIAL ASSISTANCE	OTHER HIGHER EDUCATION	TOTAL SUBFUNCTION 502 HIGHER EDUCATION		
1965	$2,537			$1,158	$1,158	$419	$4,114
1966	$5,910		$125	$1,813	$1,937	$407	$8,254
1967	$7,612		$605	$2,497	$3,102	$709	$11,422
1968	$7,868		$1,192	$2,419	$3,611	$853	$12,333
1969	$7,147		$1,419	$1,645	$3,064	$821	$11,032
1970	$7,701		$1,190	$2,093	$3,288	$1,237	$12,226
1971	$8,164		$2,030	$1,203	$3,258	$1,182	$12,605
1972	$8,652		$2,274	$832	$3,165	$1,144	$12,960
1973	$7,789		$2,427	$700	$3,218	$1,403	$12,409
1974	$7,238		$1,885	$573	$2,621	$1,685	$11,544
1975	$8,302		$2,646	$789	$3,632	$1,690	$13,624
1976	$7,639		$3,776	$449	$4,449	$1,306	$13,394
TRANSITION QUARTER	$1,932		$872	$234	$1,200	$305	$3,437
1977	$7,633		$4,031	$600	$4,854	$1,461	$13,948
1978	$7,961	$802 a/	$3,696	$624	$5,123	$1,590	$14,673
1979	$8,688	$1,215	$3,885	$1,027	$6,126	$1,670	$16,484
1980	$8,857	$1,732	$4,530	$742	$7,005	$1,669	$17,531
1981	$8,990	$2,588	$4,475	$718	$7,781	$1,339	$18,110
1982	$7,877	$3,248	$2,935	$806	$6,989	$1,118	$15,984
1983	$6,753	$2,636	$4,171	$652	$7,460	$1,088	$15,301
1984	$6,481	$3,246	$3,743	$354	$7,342	$1,332	$15,155

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a/ Prior to this year, Guaranteed Student Loans were included in Student Financial Aid.

NOTE: TABLE PREPARED BY CONGRESSIONAL RESEARCH SERVICE. DETAIL IN TABLE MAY NOT ADD TO TOTALS BECAUSE OF ROUNDING. EDUCATION TOTALS ARE THE SUM OF SUBFUNCTIONS 501,502 AND 503 AND ARE NOT COMPARABLE TO AGGREGATE FUNDING TOTALS FOR THE DEPARTMENT OF EDUCATION.

SUBFUNCTION 501 CONSTANT DOLLAR FIGURES ARE BASED ON STATE AND LOCAL GOVERNMENT PURCHASES DEFLATOR FOR NON DURABLE GOODS AND SERVICES. SUBFUNCTION 502 & 503 FIGURES ARE BASED ON THE PERSONAL CONSUMPTION EXPENDITURE DEFLATOR. ALL DEFLATORS USED IN CONSTANT DOLLAR COMPUTATIONS WERE OBTAINED FROM THE ECONOMICS DIVISION OF THE CONGRESSIONAL RESEARCH SERVICE.

SOURCES: FEDERAL GOVERNMENT FINANCES. 1985 BUDGET DATA. OFFICE OF MANAGEMENT AND BUDGET. FEB. 1984. FISCAL YEAR 1984 OUTLAYS WERE OBTAINED FROM THE FINAL MONTHLY U.S. TREASURY STATEMENT OF RECEIPTS AND OUTLAYS OF THE U.S. GOVERNMENT, FY 1984.

TABLE 3.8:
OUTLAYS FOR EDUCATION
AS A PERCENT OF TOTAL FEDERAL BUDGET OUTLAYS
FISCAL YEAR 1965 - FISCAL YEAR 1984

				SUBFUNCTION 502						
FISCAL YEAR	SUBFUNCTION 501 ELEMENTARY SECONDARY AND VOCATIONAL EDUCATION	GUARANTEED STUDENT LOANS	STUDENT FINANCIAL ASSISTANCE	OTHER HIGHER EDUCDATION	TOTAL SUBFUNCTION 502 HIGHER EDUCATION	SUBFUNCTION 503 RESEARCH AND GENERAL EDUCATION AIDS	TOTAL EDUCATION OUTLAYS	FISCAL YEAR	TOTAL EDUCATION OUTLAYS (IN MILLIONS)	TOTAL FEDERAL BUDGET (IN MILLIONS)
1965	0.8			0.3	0.3	0.1	1.0	1965	$1,223	$118,430
1966	1.2		0.0	0.5	0.5	0.1	1.8	1966	$2,456	$134,652
1967	1.4		0.1	0.6	0.7	0.2	2.3	1967	$3,627	$157,608
1968	1.4		0.3	0.5	0.8	0.2	2.3	1968	$4,150	$178,134
1969	1.3		0.3	0.4	0.7	0.2	2.1	1969	$3,813	$183,645
1970	1.4		0.3	0.4	0.7	0.3	2.4	1970	$4,634	$195,652
1971	1.5		0.4	0.3	0.7	0.2	2.4	1971	$5,083	$210,172
1972	1.5		0.5	0.2	0.7	0.2	2.4	1972	$5,453	$230,681
1973	1.4		0.5	0.1	0.6	0.3	2.3	1973	$5,536	$245,647
1974	1.2		0.4	0.1	0.6	0.3	2.1	1974	$5,545	$267,912
1975	1.3		0.5	0.1	0.5	0.3	2.2	1975	$7,180	$324,245
1976	1.1		0.6	0.1	0.7	0.2	2.1	1976	$7,635	$364,473
TRANSITION QUARTER	1.1		0.6	0.2	0.8	0.2	2.1	TRANSITION QUARTER	$1,904	$94,188
1977	1.1		0.6	0.1	0.8	0.2	2.2	1977	$8,627	$400,506
1978	1.1	0.1 a/	0.6	0.1	0.8	0.2	2.2	1978	$9,883	$448,368
1979	1.2	0.2	0.6	0.2	0.8	0.2	2.4	1979	$11,781	$490,997
1980	1.2	0.2	0.6	0.1	1.0	0.2	2.4	1980	$13,783	$576,675
1981	1.1	0.3	0.5	0.1	1.0	0.2	2.3	1981	$15,065	$657,204
1982	0.9	0.4	0.4	0.1	0.8	0.1	2.0	1982	$14,327	$728,375
1983	0.8	0.3	0.5	0.1	0.8	0.1	1.8	1983	$14,580	$795,969
1984	0.8	0.4	0.4	0.0	0.8	0.2	1.8	1984	$15,155	$841,800

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a/ Prior to this year, Guaranteed Student Loans were included in Student Financial Aid.

NOTE: TABLE PREPARED BY CONGRESSIONAL RESEARCH SERVICE. DETAIL IN TABLE MAY NOT ADD TO TOTALS BECAUSE OF ROUNDING. EDUCATION TOTALS ARE THE SUM OF SUBFUNCTIONS 501,502 AND 503 AND ARE NOT COMPARABLE TO AGGREGATE FUNDING TOTALS FOR THE DEPARTMENT OF EDUCATION.

SOURCES: ALL AMOUNTS EXCEPT GUARANTEED STUDENT LOANS, STUDENT FINANCIAL ASSISTANCE, AND OTHER HIGHER EDUCATION WERE OBTAINED FROM FEDERAL GOVERNMENT FINANCES. 1985 BUDGET DATA. OFFICE OF MANAGEMENT AND BUDGET. FEB. 1984. GUARANTEED STUDENT LOAN AND STUDENT FINANCIAL ASSISTANCE OUTLAYS WERE OBTAINED FROM PAYMENTS FOR INDIVIDUALS. 1985 BUDGET DATA. OFFICE OF MANAGEMENT AND BUDGET. FEB. 1984
FY 1984 OUTLAYS WERE OBTAINED FROM THE FINAL MONTHLY U.S. TREASURY STATEMENT OF RECEIPTS AND OUTLAYS OF THE U.S. GOVERNMENT, FY 1984.
OTHER HIGHER EDUCATION OUTLAYS ARE ESTIMATES BASED UPON THE TOTAL HIGHER EDUCATION OUTLAYS AND THESE STUDENT AID FIGURES.

TABLE 3.8:
OUTLAYS FOR EDUCATION
AS A PERCENT OF TOTAL EDUCATION CLUSTER OUTLAYS
FISCAL YEAR 1965 - FISCAL YEAR 1984

FISCAL YEAR	SUBFUNCTION 501 ELEMENTARY SECONDARY AND VOCATIONAL EDUCATION	SUBFUNCTION 502							
		GUARANTEED STUDENT LOANS	STUDENT FINANCIAL ASSISTANCE	OTHER HIGHER EDUCATION	TOTAL SUBFUNCTION 502 HIGHER EDUCATION	SUBFUNCTION 503 RESEARCH AND GENERAL EDUCATION AIDS	TOTAL EDUCATION OUTLAYS	FISCAL YEAR	TOTAL EDUCATION OUTLAYS (IN BILLIONS)
1965	54.1			33.7	33.7	12.2	100.0	1965	$1.223
1966	63.3		1.8	26.9	28.7	8.0	100.0	1966	$2.456
1967	59.7		6.3	26.7	33.0	7.3	100.0	1967	$3.627
1968	58.6		11.1	22.5	33.6	7.8	100.0	1968	$4.160
1969	60.1		14.8	16.8	31.6	8.4	100.0	1969	$3.813
1970	59.0		10.8	19.0	29.8	11.2	100.0	1970	$4.634
1971	61.4		17.8	10.4	28.3	10.3	100.0	1971	$5.063
1972	63.9		19.5	7.0	26.5	9.6	100.0	1972	$5.453
1973	60.3		19.7	8.0	27.7	12.1	100.0	1973	$5.636
1974	60.0		17.5	6.8	24.3	15.6	100.0	1974	$6.646
1975	58.7		19.8	8.2	28.0	13.3	100.0	1975	$7.180
1976	54.9		31.4	3.5	34.9	10.2	100.0	1976	$7.636
TRANSITION QUARTER	53.6		29.9	7.2	37.1	9.4	100.0	TRANSITION QUARTER	$1.894
1977	53.2		31.6	4.4	36.0	10.8	100.0	1977	$8.027
1978	52.0	6.8 a/	26.0	4.4	36.8	11.2	100.0	1978	$9.603
1979	51.1	7.6	24.4	6.4	38.4	10.5	100.0	1979	$11.781
1980	49.8	10.3	26.7	4.4	41.3	8.8	100.0	1980	$13.783
1981	47.2	16.0	24.9	4.2	45.1	7.8	100.0	1981	$15.085
1982	47.3	21.1	19.1	5.2	45.4	7.3	100.0	1982	$14.327
1983	43.3	17.6	27.7	4.3	49.6	7.2	100.0	1983	$14.580
1984	42.8	21.4	24.7	2.3	48.4	8.8	100.0	1984	$15.155

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a/ Prior to this year, Guaranteed Student Loans were included in Student Financial Aid.

NOTE: TABLE PREPARED BY CONGRESSIONAL RESEARCH SERVICE. DETAIL IN TABLE MAY NOT ADD TO TOTALS BECAUSE OF ROUNDING. EDUCATION TOTALS ARE THE SUM OF SUBFUNCTIONS 501,502 AND 503 AND ARE NOT COMPARABLE TO AGGREGATE FUNDING TOTALS FOR THE DEPARTMENT OF EDUCATION.

SOURCES: ALL AMOUNTS EXCEPT GUARANTEED STUDENT LOANS, STUDENT FINANCIAL ASSISTANCE, AND OTHER HIGHER EDUCATION WERE OBTAINED FROM FEDERAL GOVERNMENT FINANCES, 1985 BUDGET DATA, OFFICE OF MANAGEMENT AND BUDGET, FEB. 1984. GUARANTEED STUDENT LOAN AND STUDENT FINANCIAL ASSISTANCE OUTLAYS WERE OBTAINED FROM PAYMENTS FOR INDIVIDUALS, 1985 BUDGET DATA, OFFICE OF MANAGEMENT AND BUDGET, FEB. 1984. FY 1984 OUTLAYS WERE OBTAINED FROM THE FINAL MONTHLY US TREASURY STATEMENT OF RECEIPTS AND OUTLAYS OF THE U.S. GOVERNMENT, FY 1984. OTHER HIGHER EDUCATION OUTLAYS ARE ESTIMATES BASED UPON THE TOTAL HIGHER EDUCATION OUTLAYS AND THESE STUDENT AID FIGURES.

Figure 39:
Outlays for Education
FISCAL YEAR 1965 – FISCAL YEAR 1984
in millions of dollars

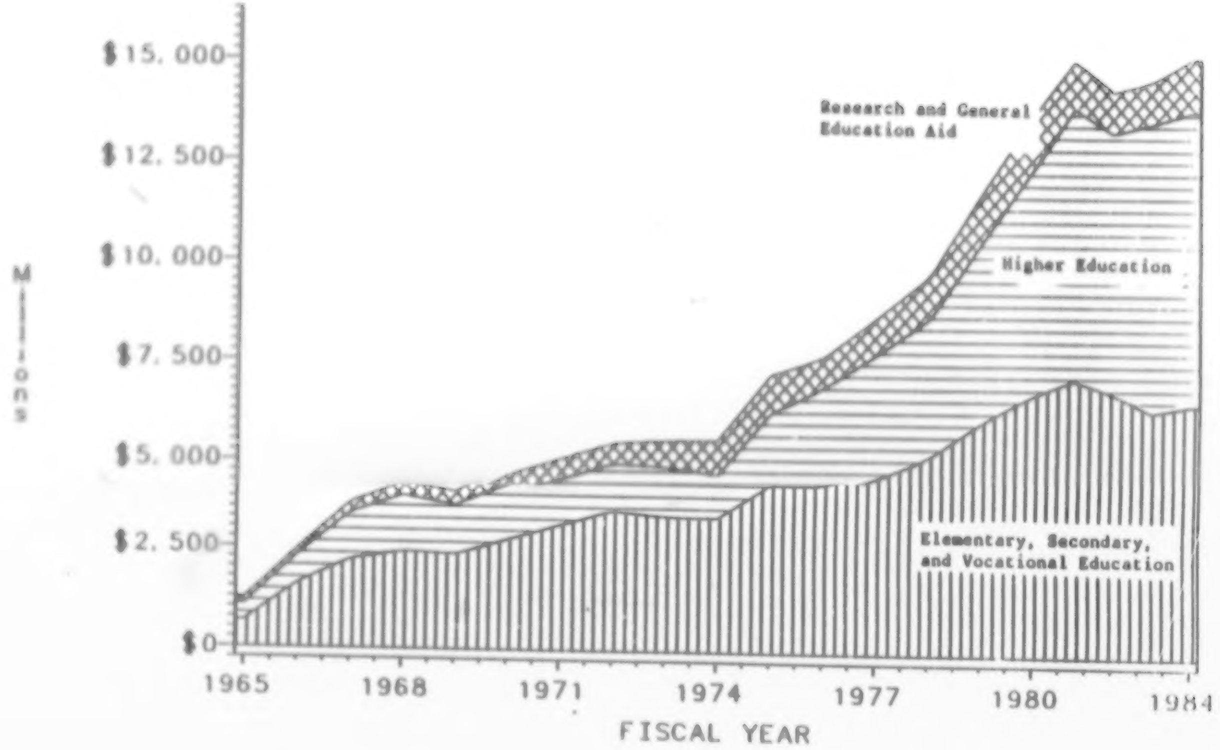


Figure 3.10
Outlays for Education
FISCAL YEAR 1965 - FISCAL YEAR 1984
in Millions of Constant 1984 dollars

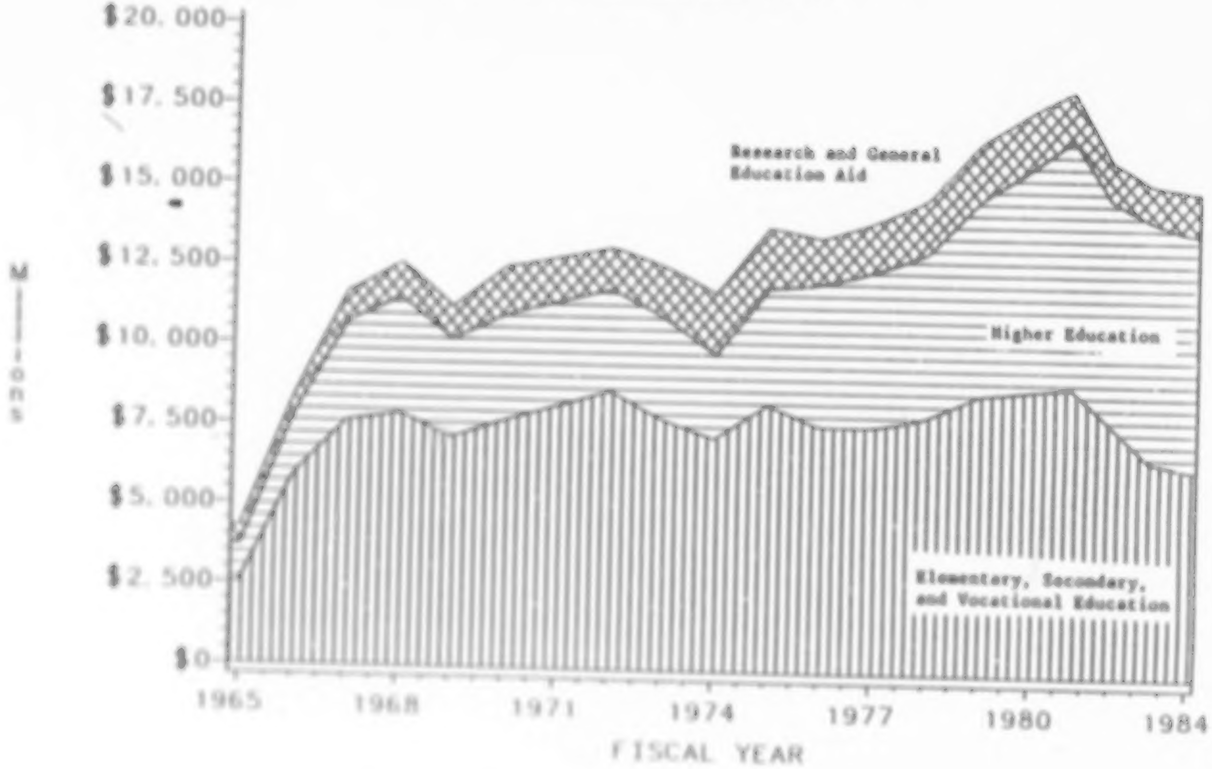


Figure 3.11
Outlays for Education
as a Percent of Total Federal Budget Outlays
FISCAL YEAR 1965 - FISCAL YEAR 1984

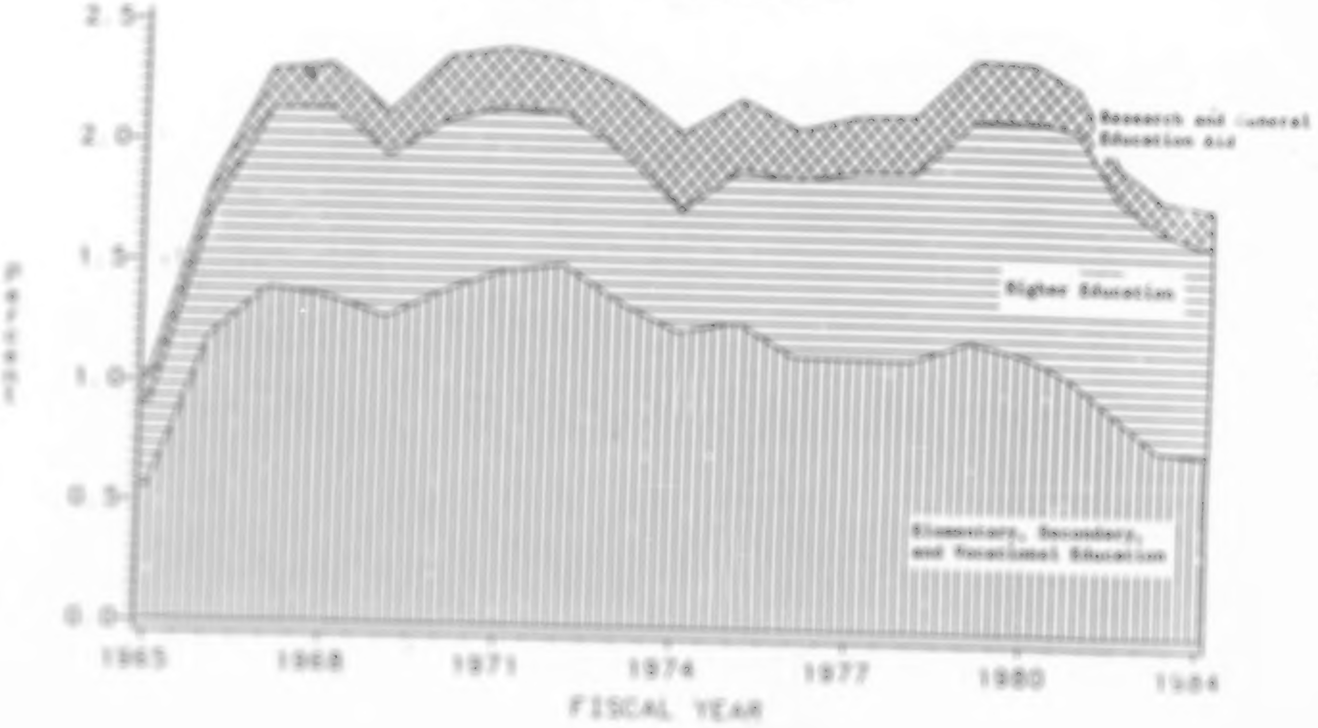
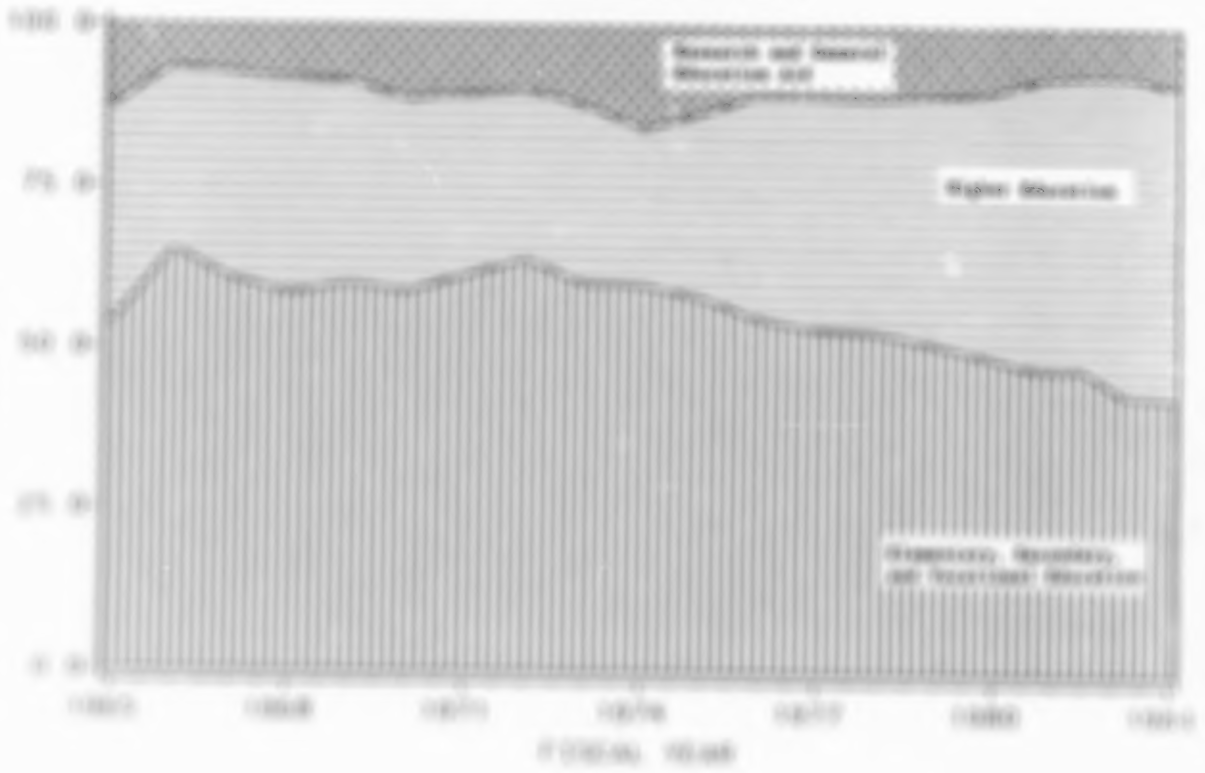


Figure 2.10
Outlays for Education
as a Percent of Total Education Function Outlays
Fiscal Year 1962 - Fiscal Year 1989



institutions are entitled to the Federal subsidy created by such factors, GSLs are the education cluster's one example of an entitlement program.

The following brief discussion summarizes spending trends for the education cluster generally and the higher education subfunction specifically, examines the changing relationship of major components of education spending, and dicusses some of the principal factors contributing to these trends. Table 3.10 presents total Federal higher education outlays.

TABLE 3.10. Total Federal Higher Education Outlays
(Outlays in billions of dollars)

	1965	1975	1980	1984
Current dollars (highest year = 1984)	$412	$2,050	$5,694	$7,342
Constant dollars (highest year = 1981)	$1,158	$3,632	$7,005	$7,342
Percent of total education outlays (highest year = 1983)	33.7%	28.6%	41.3%	48.4%
Percent of total Federal budget outlays (highest years = 1980 and 1981)	0.3%	0.6%	1.0%	0.9%

Spending for the higher education subfunction increased steadily through most of the 20-year period, peaking in 1981 and decreasing since then. Total spending for the other education subfunctions (elementary, secondary, and vocational education and research and general education aids) peaked in 1979 and 1980, respectively, and has decreased since. In terms of real growth over time, the higher education subfunction experienced an especially large increase between 1975 and 1981.

In comparing outlays in 1965 with those in 1984, the portion of elementary, secondary, and vocational education outlays declined from 54.1 percent to 42.8 percent of the total Federal education outlays, while the portion of the higher education outlays increased from 33.7 percent in 1965 to 48.4 percent in 1984. The major change contributing to the increase in higher education outlays has been the advent of large higher education student aid programs such as the GSL and the Pell Grant programs which accounted for 26.1 percent of the total higher education outlays in 1984. The GSL alone increased from 5.6 percent to 21.4 percent of education cluster outlays between 1978 and 1984.

Total outlays for the higher education subfunction in 1984 were $6.2 billion more than in 1965 when adjusted for inflation. Spending for the student financial assistance programs increased in "real" terms by $3.6 billion over this same period, while outlays for the GSL program, first distributed in 1966, increased by $2.4 billion. Over 98 percent of the "real" increases in outlays between 1965 and 1984 in subfunction 502 can be attributed to the student financial assistance and GSL programs.

A major factor contributing to these trends was the enactment of, and subsequent revisions to the Higher Education Act of 1965. In particular, the enactment of the Middle Income Student Assistance Act (MISAA) in 1978 increased the number of students eligible for Pell Grants and eliminated family income as a constraint to participation in the GSL program. Federal spending for the GSL program increased rapidly in the late 1970s and early 1980s. Some of this increase was due to the expansion of eligibility for a GSL provided by the MISAA, which removed a $25,000 family income ceiling on GSL eligibility. Additionally, higher interest rates increased the Federal interest subsidy for the GSL program. Annual increases of 10 percent or more in the cost of attending many 4-year colleges also placed greater demand on the GSL program to help finance postsecondary education costs.

Spending for the higher education cluster began to decrease in 1982. Some of these decreases resulted from modifications made to higher education student financial assistance programs and the GSL program by the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). These modifications included establishing a "need test" for a GSL student loan in cases where the family income exceeds $30,000; decreasing the Federal interest subsidy for parent loans by raising the interest rate on parent loans from 9 percent to 14 percent; establishing loan origination fees for student loans; and changing the test used to establish financial need for the Pell Grant program. Lower interest rates and lower demand for student loans also contributed to decreases in the GSL program.

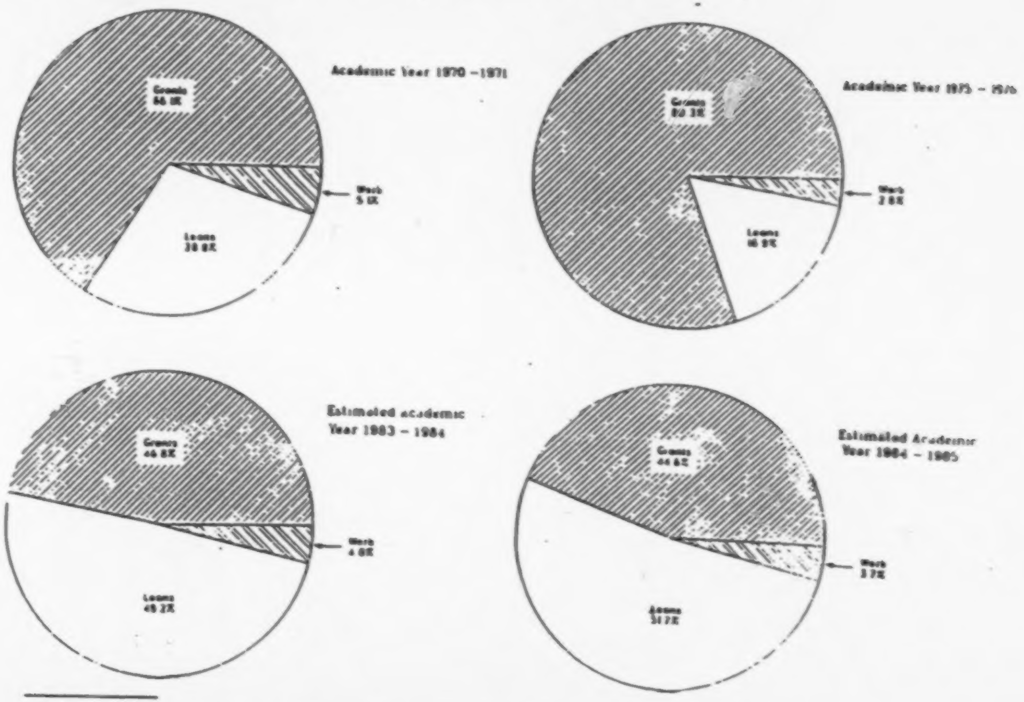
STUDENT FINANCIAL AID

This section highlights some trends in the Federal student financial aid programs. The programs discussed in this section include two loan programs--GSL and the NDSL programs; three grant programs, the Pell Grant, SEOG and the SSIG; and one subsidized employment program, the College Work-Study program.

Proportion of Federal Student Aid by Type of Program

Figure 3.13 presents the proportion of student financial aid awarded in the form of grants, loans, and work-study. This figure shows that there has been a major shift in the relative share of total Federal student aid that has been awarded as grants as compared to the share for loans. Between 1970-1971 and 1975-1976, the portion of total Federal student aid awarded in grants increased from 66.1 percent to 80.3 percent. During this same period the

Figure 313 Relative Proportions of
Total Federal Student Financial Assistance
Provided through Grants, Loans, and Work for Selected Academic Years



Note: the grant category includes: Pell Grant, Supplemental Educational Opportunity Grant, and State Student Incentive Grant programs; the loan category includes: the Guaranteed Student Loan, the Auxiliary Loans to Assist Students, and the National Direct Student Loan programs; and the work category includes the College Work-Study program.

Sources: College Board. Trends in Student Aid: 1963 to 1983. Washington, 1983. p. 12. and College Board. Trends in Student Aid 1980-1984. Washington, 1984. p. 4. 3.8

proportion of total Federal student aid awarded in loans decreased from 28.8 percent to 16.9 percent. Beginning in the late 1970s, this trend reversed so that by 1984-1985 loans represent an estimated 52 percent of total Federal student financial aid support. Between 1970-1971 and 1975-1976 Federal support for College Work-Study decreased in relation to the other types of student aid from a high of 5 percent of total Federal student financial aid to a low of under 3 percent. Between 1975-1976 and 1983-1984 Federal aid for College Work-Study has remained relatively stable, representing between 3 and 4 percent of all Federal student financial aid.

Number of Federal Student Aid Recipients and the Amount of Aid Per Recipient

Table 3.11 presents the number of Federal student financial aid recipients by program and the average aid per recipient for selected academic years between 1963-1964 and 1983-1984 in current and constant dollars.

Table 3.11 shows that all student financial aid programs reflect increases in the number of recipients who participate in the programs. However, when adjusted for inflation, with the exception of the GSL program, the value of the average awards declined over time. Thus, the "real" growth in total Federal aid for these programs over time has come from two basic factors: increases in the number of programs and activities financed with Federal funds, and the broadening of the eligibility criteria, allowing large numbers of students to participate in the programs rather than from "real" increases in the average award per recipient.

The GSL program differs from the other student financial aid programs. The number of borrowers declined between 1970-1971 and 1975-1976 and then increased sharply. However, the average annual loan per borrower, after

TABLE 3.11. Federal Student Financial Assistance Per Recipient and Numbers of Recipients for Selected Academic Years, 1963-64 to 1983-84
(Current dollars and constant 1984 dollars)

	Pell Grant Program				SEOG Program			
	Recipients		Aid per recipient		Recipients		Aid per recipient	
Academic year	Number (000)	Percent of undergraduates	Current dollars	Constant dollars	Number (000)	Percent of Undergraduates	Current dollars	Constant dollars
1983-84 (est.)	2,500	32%	$968	$999	543	7%	$652	$673
1982-83 (est.)	2,608	32	935	1,004	660	8	538	578
1981-82 (est.)	2,709	34	850	974	663	8	558	639
1980-81	2,708	35	963	1,185	717	9	513	681
1979-80	2,538	34	987	1,335	593	8	559	756
1977-78	1,884	25	832	1,332	499	7	488	763
1975-76	1,220	16	763	1,352	390	5	515	912
1970-71	—	—	—	—	253	4	527	1,251
1963-64	—	—	—	—	—	—	—	—

	CWS Program				NDSL Program			
	Recipients		Aid per recipient		Recipients		Aid per recipient	
Academic year	Number (000)	Percent of all	Current dollars	Constant dollars	Number (000)	Percent of all	Current dollars	Constant dollars
1983-84 (est.)	810	9%	$725	$748	883	10%	$775	$799
1982-83 (est.)	706	8	800	839	810	9	858	923
1981-82 (est.)	739	8	800	917	804	9	852	976
1980-81	819	9	806	992	813	9	853	1,049
1979-80	923	11	646	874	953	11	677	916
1977-78	845	10	555	888	725	9	775	1,209
1975-76	570	7	518	918	690	8	667	1,182
1970-71	413	6	551	1,308	452	7	532	1,263
1963-64	—	—	—	—	217	6	478	1,383

	GSL and PLUS Programs				State Grant and SSIG Programs			
	Recipients		Aid per recipient		Recipients		Aid per recipient	
Academic year	Number (000)	Percent of all	Current dollars	Constant dollars	Number (000)	Percent of all	Current dollars	Constant dollars
1983-84 (est.)	2,726	30%	$2,525	$2,605	n/a	n/a	n/a	—
1982-83 (est.)	2,770	31	2,256	2,423	1,496	17%	$734	$788
1981-82	3,173	35	2,290	2,624	1,448	16	690	790
1980-81	2,916	33	2,128	2,618	1,160	13	736	905
1979-80	1,940	23	2,024	2,738	1,278	15	676	915
1977-78	1,014	12	1,713	2,679	1,161	14	635	993
1975-76	922	11	1,374	2,434	902	11	566	1,003
1970-71	1,017	15	998	2,369	535	8	442	1,049
1963-64	—	—	—	—	n/a	n/a	n/a	—

Source: College Entrance Examination Board. Trends in student aid: 1963 to 1983. Washington, 1983. p. 16. Constant dollar computations were prepared by the Congressional Research Service.

adjusting for inflation, remained relatively stable between 1970-1971 and 1983-1984. Thus the real growth in the GSL program since the late 1970s is due to increases in the number of borrowers, rather than to increases in the average annual loan per borrower (in constant dollar terms).

Aid Per Full-Time Equivalent Student

Figure 3.14 presents the total aid awarded per full-time equivalent student as well as the type of aid awarded (loan, grant, or work-study) in constant 1984 dollars.

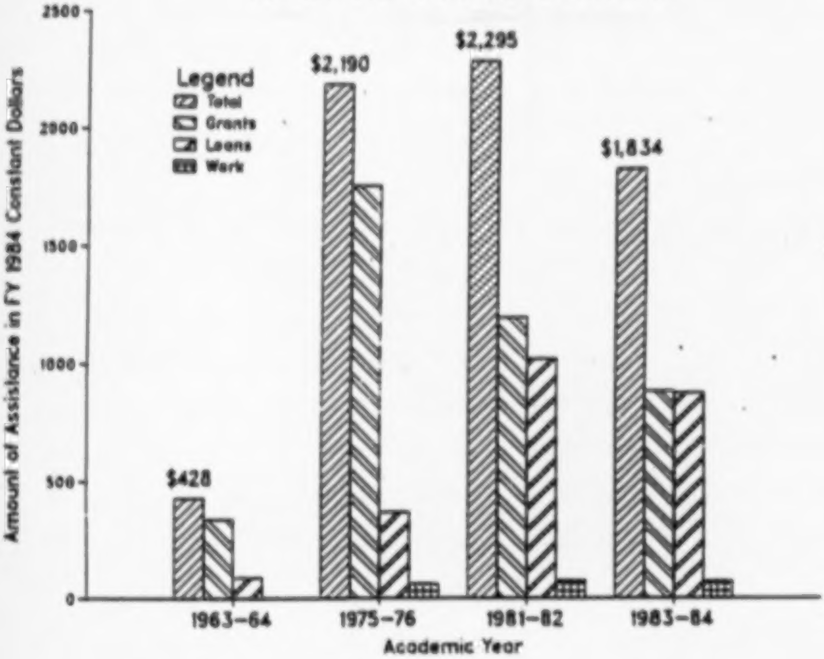
This figure shows that total Federal aid per full-time equivalent student increased in "real" terms from $428 in academic year 1963-1964 to $2,295 in academic year 1981-1982, a 436 percent increase. However, between the academic years 1981-1982 and 1983-1984 Federal aid per full-time equivalent student decreased in "real" terms by 20 percent from $2,295 to $1,834.

The amount of aid per full-time equivalent student shifted from an emphasis on grants which was prevalent through the mid-1970s to one in which grants and loans each comprise about 48 percent of the total amount of aid per student.

Types of Institutions in Which Selected Federal Student Financial Assistance is Used

Table 3.12 describes the changes in distribution of aid to various types of higher education institutions under the Pell Grant program and the so-called campus-based programs, NDSL, SEOG, and the College Work-Study programs. The other student financial assistance programs, GSL and SSIG, are not included in this section because reliable data are not available. The data are presented in current and constant dollars.

Figure 3.14 Federal Student Financial Assistance Per Full-Time-Equivalent Student for Selected Academic Years in Constant FY 1984 Dollars



Note: The grant category includes: Pell Grant, Supplemental Educational Opportunity Grant, and State Student Incentive Grant programs; the loan category includes: the Guaranteed Student Loan, Auxiliary Loans to Assist Students, and the National Direct Student Loan programs; and the work category includes: the College Work-Study program.

Source: College Board. Trends in Student Aid: 1963 to 1984. Washington, 1983. p. 16. Constant dollar computations were prepared by the Congressional Research Service.

Table 3.12 shows that although public, private and proprietary higher education institutions 3/ received increasing amounts of student financial aid throughout the 1970s, the proportion of aid received by the various types of institutions changed. The share of aid that public and private institutions received decreased, while the share that proprietary schools received increased. Between 1973-1974 and 1980-1981, the proportion of Pell Grants and campus-based aid used in public colleges decreased from 61.1 percent of the total to 57.3 percent of the total. The proportion received by private schools decreased from 37.5 percent to 33.2 percent, and that received by proprietary schools increased from 1.4 percent to 9.5 percent. Within public higher education institutions, 2-year colleges increased their portion of Pell Grant and campus-based aid, while 4-year colleges experienced decreases in their portion.

3/ Data on proprietary schools have been included in this discussion to show the shifts in the distribution in Federal student assistance among different groups of institutions. Proprietary institutions have received the most significant increases in Federal student assistance when compared with other types of institutions.

TABLE 3.12. Distribution of Combined Pell and Campus-Based Program Aid by Type and Control of Postsecondary Institution for Selected Academic Years, 1973-74 to 1980-81 in current and constant FY 1984 dollars
(In millions of dollars)

	Current dollars			
Type of institution	Academic year 1973-74	Academic year 1977-78	Academic year 1978-79	Academic year 1980-81
Public:	$591.7	$1,840.9	$1,836.8	$2,479.9
2-Year	(121.2)	(538.1)	(545.8)	(749.6)
4-Year	(470.2)	(1,302.8)	(1,290.8)	(1,730.2)
Private	362.5	844.9	975.6	1,436.1
Proprietary	13.4	216.7	276.1	410.3
Other	.3	12.9	.0	.0
TOTAL	$967.9	$2,915.4	$3,088.4	$4,326.3

	Constant 1984 dollars			
Type of institution	Academic year 1973-74	Academic year 1977-78	Academic year 1978-79	Academic year 1980-81
Public:	$1,243	$2,879	$2,699	$3,051
2-Year	.(255)	(842)	(802)	(922)
4-Year	(988)	(2,037)	(1,897)	(2,128)
Private	761	1,321	1,434	1,767
Proprietary	28	339	406	505
Other	.63	20	—	—
TOTAL	$2,033	$4,559	$4,538	$5,322

	Percent			
Type of institution	Academic year 1973-74	Academic year 1977-78	Academic year 1978-79	Academic year 1980-81
Public	61.1%	63.1%	59.5%	57.3%
2-Year	(12.5)	(18.5)	(17.7)	(17.3)
4-Year	(48.6)	(44.7)	(41.8)	(40.0)
Private	37.5	29.0	31.6	33.2
Proprietary	1.4	7.4	8.9	9.5
Other	*	.4	.0	.0
TOTAL	100.0%	100.0%	100.0%	100.0%

*Less than .05 percent.

Note: The details may not add to the totals because of rounding.

Source: College Board. Trends in student aid: 1963 to 1983. Washington, 1983. p. 27. Constant dollar computations were prepared by the Congressional Research Service.

SECTION 4
SUMMARY OF PROVISIONS OF THE HIGHER EDUCATION ACT

The Higher Education Act (HEA) of 1965, as amended through P.L. 98-558, authorizes postsecondary assistance programs in continuing education, college libraries, institutional aid, student financial assistance, teacher training, international education, facilities construction and renovation, cooperative education, graduate education, postsecondary educational improvement, and urban universities.

Most HEA programs are authorized through FY 1985, although section 414 of the General Education Provisions Act (GEPA) (P.L. 90-247, title IV, as amended) automatically could extend these HEA programs through either FY 1986 or FY 1987, unless one House of Congress acts to prevent such extension. 1/

The following pages contain a synopsis of the HEA's legislative history and a brief summary of its provisions by title.

SYNOPSIS OF LEGISLATIVE HISTORY

The Higher Education Act of 1965 (HEA) as initially authorized under P.L. 89-329 consisted of eight titles. The first six titles authorized a number of new assistance programs in the areas of continuing education, college libraries, developing postsecondary institutions, student financial

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1/ Under the terms of section 414 of GEPA, current year funded programs would be extended through FY 1986, while forward funded programs would be extended through FY 1987. Most HEA programs are presently forward funded.

assistance, teacher training, and improvement of undergraduate instruction. The last two titles amended the Higher Education Facilities Act of 1963 (P.L. 88-204) and contained certain general provisions that were applicable to the entire Act.

Since 1965, comprehensive amendment and reauthorization of the HEA has occurred as a result of:

--the Higher Education Amendments of 1968 (P.L. 90-575);

--the Education Amendments of 1972 (P.L. 92-318);

--the Education Amendments of 1976 (P.L. 94-482); and

--the Education Amendments of 1980 (P.L. 96-374).

The most recent revision of the HEA, P.L. 96-374, included authorizations for most HEA programs for the 5-year span FY 1981 through FY 1985.

In addition to comprehensive reauthorization legislation, numerous other statutes since 1965 have amended portions of the HEA. For example, in the 97th Congress the Omnibus Budget Reconciliation Act of 1981, P.L. 97-35, revised the authorization levels for most HEA programs for the period FY 1982 through FY 1984 and amended several title IV student financial assistance programs, while the Student Financial Assistance Technical Amendments Act of 1982, P.L. 97-301, contained additional title IV amendments. In the 98th Congress, four statutes amended portions of the HEA, including:

--the Student Loan Consolidation and Technical Amendments Act of 1983, P.L. 98-79, which made a number of amendments to several title IV student aid programs;

--the Challenge Grant Amendments of 1983, P.L. 98-95, which added a new institutional endowment grant program to title III;

--P.L. 98-312, which further amended title III to permit continuation funding for certain multi-year program awards; and

--the Human Services Reauthorization Act, P.L. 98-558, which added to title IV a new program of merit scholarships and to title V two new programs for teacher scholarships and fellowships.

SUMMARY OF PROVISIONS

A brief description follows of the content under each of the 12 titles of the HEA, as amended through P.L. 98-558.

Title I—Continuing Postsecondary Education Program and Planning

Title I is subdivided into two parts:

Part A—Commission on National Development in Postsecondary Education (sec. 101-105); and

Part B—Education Outreach Programs (sec. 111-119).

Part A—Commission on National Development in Postsecondary Education

This Commission was authorized to examine the extent to which planning by States, localities, and postsecondary institutions is designed to identify the future needs of education in the United States, the effectiveness of Federal financial assistance to students and postsecondary institutions, the capacity of institutions of higher education to carry out their mission, the effect of demographic changes on postsecondary institutions, and other purposes. P.L. 96-374 authorized $3 million for the Commission for the period beginning October 1, 1981 through March 1, 1984; however, P.L. 97-35, sec. 516 provided that no funds be appropriated for the Commission for FY 1982, FY 1983, or FY 1984.

Part B--Education Outreach Programs

State and national discretionary grants are authorized under this part. The State grant program provides grants for comprehensive statewide planning for postsecondary education, the provision of educational information for both traditional and non-traditional learners, and adult continuing education programs. The discretionary grant program funds projects designed to demonstrate the effectiveness of alternative approaches to postsecondary education that meet the learning needs of underserved adults. Both part B programs had an authorization under P.L. 96-374 of $20 million for FY 1981, $30 million for FY 1982, $40 million for FY 1983, $50 million for FY 1984, and $60 million for FY 1985. P.L. 97-35 (Omnibus Budget Reconciliation Act of 1981) subsequently required, however, that total part B appropriations not exceed $8 million for each of FY 1982, FY 1983, and FY 1984.

Title II--College and Research Library Assistance and Library Training and Research

Following two preliminary sections that concern the purpose of this title and its authorization levels (sec. 201-202), the title is subdivided into four parts:

Part A--College Library Resources (sec. 211);

Part B--Library Training, Research, and Development (sec. 221-224);

Part C--Strengthening Research Library Resources (sec. 231); and

Part D--National Periodical System (sec. 241-251).

Part A--College Library Resources

This part authorizes a college library program for the purpose of acquiring books, periodicals, and other library materials, and for the establishment and maintenance of networks for sharing library resources with other institutions of higher education. The authorization under P.L. 96-374 for this program was $10 million for FY 1981, $30 million for FY 1982 and each of the 2 succeeding fiscal years, and $35 million for FY 1985. P.L. 97-35 subsequently required that total part A appropriations not exceed $5 million for each of FY 1982, FY 1983, and FY 1984.

Part B--Library Training, Research, and Development

Three programs are authorized under part B. The College Library Career Training program provides fellowships and traineeships in librarianship. The College Library Research and Demonstrations program provides for grants and contracts for projects related to the improvement of libraries, training in librarianship, information technology, and the dissemination of project information. Finally, the College Library Special Purpose Grants program provides discretionary grants to meet special national or regional needs in library or information science, and for other purposes. Part B had an authorization of $10 million in FY 1981, $30 million for FY 1982 and each of the 2 succeeding fiscal years, and $35 million for FY 1985. P.L. 97-35 subsequently required that total part B appropriations not exceed $1.2 million for each of FY 1982, FY 1983, and FY 1984.

Part C--Strengthening Research Library Resources

This grant program had an authorization under P.L. 96-374 of $10 million in FY 1981 and $15 million for FY 1982 and each of the 3 succeeding fiscal years. P.L. 97-35 subsequently required that total part C appropriations not exceed $6 million for each of FY 1982, FY 1983, and FY 1984.

Part D--National Periodical System

A corporation is authorized to assess the feasibility and advisability of, and if found feasible and advisable prepare a design for, a national periodical system. P.L. 96-374 authorized $750,000 for each of FY 1981 and FY 1982, and such sums as necessary for FY 1983 through FY 1985 for this corporation; however, P.L. 97-35 provided that no funds were to be appropriated for this purpose for FY 1982, FY 1983, or FY 1984.

Title III--Institutional Aid

Following a section of findings and purposes (sec. 301), title III is subdivided into four parts:

Part A—Strengthening Institutions (sec. 311-313);

Part B—Aid to Institutions With Special Needs (sec. 321-324);

Part C--Challenge Grants for Institutions Eligible for Assistance Under part A or part B (sec. 331-333); and

Part D—General Provisions (sec. 341-347).

Part A--Strengthening Institutions

Grants are authorized to improve the academic quality, institutional management, and fiscal stability of eligible institutions to increase their self-sufficiency and strengthen their capacity to make a contribution to the Nation's higher education resources. (See the last paragraph of the title III description for information concerning the part A authorization level.)

Part B--Aid to Institutions With Special Needs

The purpose of part B is to strengthen the planning, management, and fiscal capabilities of postsecondary institutions with special needs (i.e., among other criteria, includes institutions which award a bachelor's degree and which have a substantial portion of their students receiving Pell Grant assistance). (See the last paragraph of this title III description for information concerning the part B authorization level.)

Part C--Challenge Grants

Under this program, an institution eligible for assistance under either part A or B of title III may apply for additional aid if the institution indicates that it will match the requested challenge grant amount. Part C also authorizes a program of Endowment Grants (as a result of a 1983 amendment under P.L. 98-95). Eligible disadvantaged institutions may receive an endowment grant that must be matched on a dollar for dollar basis with new endowment capital from non-Federal sources. (See the last paragraph of this title III description for information concerning the part C authorization level.)

Part D--General Provisions

This part contains provisions relating to title III applications for assistance, reporting requirements, application review, cooperative arrangements, authorization amounts, and other requirements.

P.L. 96-374 authorized for both parts A and B $175 million for FY 1982, $185 million for FY 1983, $200 million for FY 1984, and $220 million for FY 1985, with half of any amount appropriated for each year to be available for part A, and half for part B. For part C, P.L. 96-374 authorized $25 million for FY 1982, $35 million for FY 1983, $45 million for FY 1984, and $50 million for FY 1985. P.L. 97-35 subsequently required that total title III appropriations not exceed $129.6 million for each of FY 1982, FY 1983, and FY 1984. P.L. 98-95 later changed this FY 1984 appropriations ceiling to $134.4 million.

Title IV--Student Assistance

Title IV is subdivided into five parts, with part A further subdivided into seven subparts: 2/

Part A--Grants to Students in Attendance at Institutions of Higher Education (sec. 401);

Subpart 1--Basic Educational Opportunity Grants (sec. 411);

Subpart 2--Supplemental Educational Opportunity Grants (sec. 413A-413D);

Subpart 3--Grants to States for Student Incentives (sec. 415A-415D);

Subpart 4--Special Programs for Students from Disadvantaged Backgrounds (sec. 417A-417E);

2/ There is currently no part D under title IV of the HEA.

Subpart 5--Special Programs for Students Whose Families Are Engaged in Migrant and Seasonal Farmwork (sec. 418A);

Subpart 6--Federal Merit Scholarships (sec. 419A-419K);

Subpart 7--Assistance to Institutions of Higher Education (sec. 420-420A);

Part B--Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education (sec. 421-439B);

Part C--Work-Study Programs (sec. 441-448);

Part E--Direct Loans to Students in Institutions of Higher Education (sec. 461-469); and

Part F--General Provisions Relating to Student Assistance Programs (sec. 481-491).

Altogether title IV contains the authorization for 16 separate programs that provide either grants, loans or work-study awards for students, special services for students, or payments to institutions of higher education.

Part A--Grants to Students in Attendance at Higher Education Institutions

Under this part, seven different types of grants are authorized to students in institutions of higher education.

Pell Grants. Subpart 1 of part A authorizes this program (formerly, Basic Educational Opportunity Grants, or BEOG). The Pell Grant program provides grant assistance to undergraduate students who demonstrate financial need. This program uses a need analysis system, which is updated annually by the Department of Education (ED), to determine a student's eligibility for an award and its amount. As reauthorized by P.L. 96-374, the maximum

Pell Grant award that a student potentially could receive was to have been as follows:

--$1,900 for academic year 1981-82;

--$2,100 for academic year 1982-83;

--$2,300 for academic year 1983-84;

--$2,500 for academic year 1984-85; and

--$2,600 for academic year 1985-86.

Through the 1984-85 academic year, however, either appropriations or other legislation have revised the maximum Pell Grant award amounts as follows:

--$1,670 for academic year 1981-82;

--$1,800 for academic year 1982-83;

--$1,800 for academic year 1983-84;

--$1,900 for academic year 1984-85; and

--$2,100 for academic year 1985-86.

P.L. 96-374 reauthorized the Pell Grant program through FY 1985 without specifying any maximum authorization amounts. However, P.L. 97-35 placed the following authorization ceilings on the Pell Grant program: $2.65 billion for FY 1982; $2.8 billion for FY 1983; and $3 billion for FY 1984.

Supplemental Educational Opportunity Grant (SEOG). Subpart 2 of part A authorizes this program to provide grant assistance to undergraduate students who demonstrate exceptional financial need. SEOG awards are often used to "supplement" a student's "basic" Pell Grant award, and may range in size from $200 to $2,000, with the actual amount of any particular award determined by the postsecondary school that a student plans to attend. 3/

The SEOG program had an authorization under P.L. 96-374 of $350 million for each year from FY 1981 through FY 1985 for initial year SEOG awards, and such sums as necessary for each of these years for continuation awards. P.L. 97-35 subsequently required that total SEOG appropriations not exceed $370 million for each of FY 1982, FY 1983, and FY 1984. For FY 1984, however, this P.L. 97-35 appropriation ceiling was superceded by appropriations legislation which provided total funding of $375 million.

State Student Incentive Grant (SSIG). Subpart 3 of part A authorizes this program which provides grants to States to encourage them to establish State student aid programs. Participating States are required to match each Federal dollar received on a $1 for $1 basis. The SSIG program had an authorization under P.L. 96-374 of $100 million for each of FY 1981 and FY 1982, $150 million for FY 1983, $200 million for FY 1984, and $250 million for FY 1985. P.L. 97-35 subsequently required, however, that total SSIG appropriations not exceed $76.8 million for each of FY 1982, FY 1983, and FY 1984.

Special Programs for Students from Disadvantaged Backgrounds. Subpart 4 of part A contains the authorization for five programs: Talent Search,

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3/ Because the actual amount of any student's award under the Supplemental Educational Opportunity Grant, College Work-Study, and National Direct Student Loan programs is determined by the postsecondary institution that a student attends, these three Federal student aid programs are commonly termed the "campus-based programs."

Upward Bound, Special Services for Disadvantaged Students, Educational Opportunity Centers, and Staff Development. Under each program, discretionary grants are awarded to postsecondary institutions or other eligible agencies to encourage and assist disadvantaged youth (primarily from low-income families) who have educational potential to complete their secondary education and then to enter, continue, or resume a program of postsecondary education.

Talent Search supports projects which identify and counsel eligible pre-college students about postsecondary educational opportunities, and also assists students in their application for postsecondary admission and for student financial aid. Upward Bound supports projects to assist pre-college students who have academic potential, but who lack adequate academic preparation, through programs of remedial instruction, tutoring, and cultural enrichment. Special Services supports projects intended to increase the retention and graduation rates of postsecondary students from disadvantaged backgrounds (or those with a physical handicap or limited English-speaking ability) through remedial education, guidance, and counseling programs. Educational Opportunity Centers provide information and counseling about academic opportunities and financial assistance to persons in low-income areas, while Staff Training grants are awarded to train staff and other personnel who deliver services to students under the previous four special programs.

For all of the Special Programs for Students from Disadvantaged Backgrounds under subpart 4, $400 million was authorized under P.L. 96-374 for FY 1982 and such sums as may be necessary for each year from FY 1983 through

FY 1985. P.L. 97-35 subsequently required, however, that the total appropriation for these five programs not exceed $165 million for FY 1982 and $170 million for each of FY 1983 and FY 1984.

Special Programs for Students Whose Families Are Engaged in Migrant and Seasonal Farmwork. Subpart 5 of part A authorizes two special programs: a secondary level High School Equivalency (HEP) program and a postsecondary College Assistance Migrant Program (CAMP). Among the service activities authorized under these programs are basic skills instruction, counseling, educational outreach and recruitment, and tutorial services. For both programs under subpart 5, P.L. 96-374 authorized $9.6 million for FY 1981, $12 million for FY 1982, $14 million for FY 1983, $16 million for FY 1984, and $18 million for FY 1985. P.L. 97-35 subsequently required, however, that the appropriation for subpart 5 not exceed $7.5 million in each of FY 1982, FY 1983, and FY 1984.

Federal Merit Scholarships. Subpart 6 of part A authorizes this program; students who demonstrate outstanding academic achievement and show promise of continued achievement may receive a non-need tested stipend of $1,500 for use during the first year of study at a higher education institution. This program was initially authorized as an amendment to the HEA in 1984 by P.L. 95-558, and consequently is authorized beyond the FY 1985 term of most HEA programs with an authorization of $8 million for each of FY 1986, FY 1987, and FY 1988.

Assistance to Institutions of Higher Education. Subpart 7 (as redesignated by P.L. 98-558) of part A authorizes two programs: Payments to Institutions of Higher Education and Veteran's Cost-of-Instruction.

Under the Payments to Institutions of Higher Education program, the amount of each eligible institution's grant is based on student participation in the Pell Grant and Federal "campus-based" student aid programs. Funds under this subpart are to be used to help defray instructional expenses in the academic curricula of the applicant postsecondary institution. Under P.L. 96-374 the annual amount authorized under this program depended upon the appropriations level of the Pell Grant program, however, P.L. 97-35 subsequently provided that no funds be appropriated for this program for either FY 1982, FY 1983, or FY 1984.

Under the Veteran's Cost-of-Instruction Program (VCIP), formula grants are authorized to institutions of higher education based on the number of veterans who are enrolled and receiving veteran's educational or vocational benefits. No specific maximum authorization level was provided under P.L. 96-374 for the VCIP for FY 1981 through FY 1985. However, P.L. 97-35 subsequently provided that VCIP appropriations not exceed $12 million for each of FY 1982, FY 1983, and FY 1984.

Part B--Federal, State, and Private Programs of Low-Interest Insured Loans to Students in Institutions of Higher Education

This part authorizes the Guaranteed Student Loan (GSL) and more recent Auxiliary Loans to Assist Students (ALAS) programs.

Guaranteed Student Loan (GSL). This program provides low-interest (currently 8 percent) student loans, through banks and other participating lenders, that are federally subsidized and guaranteed. Through interest subsidy payments, the Federal Government assists student borrowers with the payment of their GSL interest while in-school, and to a lesser extent, after leaving school. In addition, the Federal Government also "guarantees" to lenders 100 percent of the amount of any unpaid GSL principal in the event of borrower death, disability, bankruptcy, or default. 4/

Under the GSL program, undergraduates may borrow up to $2,500 annually ($12,500 cumulative), while graduate and professional students may borrow up to $5,000 annually ($25,000 cumulative including undergraduate borrowing).

The GSL program is the major only Federal education program that is considered an "entitlement" program, since it requires the Congress to provide sufficient appropriations each year in order to meet the various interest, insurance, and other financial obligations incurred on behalf of student and parent borrowers. 5/

Auxiliary Loans to Assist Students (ALAS). This program provides less highly subsidized, but still federally guaranteed loans, through lenders to the parents of dependent undergraduates, independent undergraduates, graduate students, and professional students. ALAS borrowers currently pay an interest rate of 12 percent. While GSL borrowers make neither principal nor interest payments on these loans while in-school or in certain deferment situations,

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4/ If a GSL is directly insured by the Federal Government, it is termed a "Federally Insured Student Loan" (FISL), and the lender is usually reimbursed 100 percent of any defaulted principal. If the GSL is directly insured by a State or private guarantee agency, the lender receives 100 percent of any defaulted principal, but the Federal reimbursement to the guarantee agency will vary between 80 percent and 100 percent, depending on the overall default record of a particular agency.

5/ The General Accounting Office (GAO) has defined "entitlements," in part, as "legislation that requires the payment of benefits (or entitlements) to any person or unit of government that meets the eligibility requirements established by such law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients have legal recourse if the obligation is not fulfilled." (GAO, A Glossary of Terms Used in the Federal Budget Process, 3rd edition, March 1981, page 57).

ALAS student borrowers must make periodic interest payments while in school, and ALAS parent borrowers must make both interest and principal payments, beginning within 60 days of loan disbursement.

Under the ALAS program, all classes of borrowers, except independent undergraduates, may borrow up to $3,000 annually ($15,000 cumulative), while independent undergraduates are limited to $2,500 annually, minus the amount of any GSL in that year. Students whose family income is $30,000 or under do not have to demonstrate financial need for a GSL, but students whose family income exceeds $30,000 must prove financial need.

Part B also contains the authorization for the Student Loan Marketing Association (Sallie Mae), which is a federally chartered, for-profit corporation that provides a secondary market and loan "warehousing" (i.e., the lending of capital for new GSLs by using existing GSL as collateral) for the GSL program.

Part C--College Work-Study (CWS)

This program provides support for part-time work programs for undergraduate, graduate, and professional students who demonstrate financial need. Participating postsecondary institutions must match each $4 of Federal CWS contributions with at least $1 of their own. The postsecondary institution that a student attends is responsible for determining the exact amount of any CWS award; hence, this program is one of the commonly termed "campus-based" programs.

The authorization under P.L. 96-374 for the CWS program was $670 million for FY 1981, $720 million for FY 1982, $760 million for FY 1983, $800 million for FY 1984, and $830 million for FY 1985. P.L. 97-35 subsequently required that appropriations for the CWS program not exceed $550 million for each of FY 1982, FY 1983, and FY 1984. For both FY 1983 and FY 1984, however, this P.L. 97-35 appropriation ceiling was superceded by appropriations legislation which provided $590 million and $555 million respectively for each of these 2 years.

Part E--Direct Loans to Students in Institutions of Higher Education

This program is commonly referred to as the National Direct Student Loan (NDSL) program which provides 5 percent student loans to undergraduate, graduate, or professional students who demonstrate financial need. Students may borrow up to $3,000 annually, with cumulative loan limits of $6,000 for undergraduates and $12,000 for graduate and professional students. Participating postsecondary institutions must match each $9 of new Federal capital with $1 of their own. Financial aid offices at postsecondary institutions are responsible for determining the exact amount of a particular student's NDSL; hence, this program is one of the commonly termed "campus-based" programs.

The authorization under P.L. 96-374 for the NDSL program was $400 million for each of FY 1981 and FY 1982, $475 million for FY 1983, $550 million for FY 1984, and $625 million for FY 1985. P.L. 97-35 subsequently required, however, that appropriations for the NDSL program not exceed $286 million for each of FY 1982, FY 1983, and FY 1984.

Part F--General Provisions

This part relates to the preceding student assistance programs authorized under parts A through E. This part contains common definitions for selected terms, the general outlines of the need analysis system to be used for the Pell Grant, SEOG, CWS, and NDSL programs, student aid forms and regulation requirements, general student eligibility requirements, general institution participation provisions, and other related requirements.

Part F also authorized establishment of a National Commission on Student Financial Assistance to study and report concerning a number of specific areas and issues involving student financial assistance. P.L. 96-374 had authorized a total of $10 million for the Commission for the period of FY 1981 through FY 1983, but P.L. 97-35 subsequently limited this authorization to $1 million for FY 1982 and $2 million for FY 1983.

Title V--Teacher Corps and Teacher Training Programs

Title V is subdivided into six parts:

Part A--Teacher Corps Program (sec. 511-517A; repealed effective October 1, 1982);

Part B--Teacher Training Programs (sec. 531-533; sec. 532 repealed effective October 1, 1982);

Part C--Training for Elementary and Secondary School Teachers to Teach Handicapped Children in Areas With a Shortage (sec. 541-546);

Part D--Coordination of Education Professional Development (sec. 551-553);

Part E--Carl D. Perkins Scholarship Program (sec. 561-568); and

Part F--National Talented Teacher Fellowship Program (sec. 571-575).

Part A--Teacher Corps

The purpose of this program was to strengthen the educational opportunities available to children in areas with concentrations of low-income families, to encourage colleges and universities to broaden their programs of teacher preparation, and to improve programs of training and retraining for teachers, teacher aides, and other educational personnel.

The Teacher Corps program under P.L. 96-374 had an authorization of $45 million for FY 1981, $50 million for FY 1982, $60 million for FY 1983, $70 million for FY 1984, and $80 million for FY 1985. The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), however, repealed the authorization and other provisions of the Teacher Corps program, effective October 1, 1982.

Part B--Teacher Training

This part authorizes Training for Higher Education Personnel, and until October 1, 1982 also contained the authorization for a second program, Teacher Centers. The Training for Higher Education Personnel program authorizes discretionary grants to schools of education for the purpose of improving the preservice training of elementary and secondary educational personnel and retraining faculty members of schools of education to better provide instruction in certain elementary and secondary courses of study. Until repealed by the Omnibus Budget Reconciliation Act of 1981, the Teacher Center program authorized discretionary grants to local educational agencies (LEAs) to assist in the planning, establishment, and operation of teacher centers, the purpose of which was to develop and produce improved educational curricula and to improve teacher skills.

Teacher Training programs in part B had an authorization of $20 million for FY 1981, $30 million for FY 1982, $40 million for FY 1983, $50 million for FY 1984, and $55 million for FY 1985. In addition to repealing the Teacher Center program, P.L. 97-35 also reduced the authorization ceiling for part B to $9.1 million for each of FY 1982, FY 1983 and FY 1984.

Part C--Training for Elementary and Secondary School Teachers to Teach Handicapped Children in Areas with a Shortage

Under this program, grants are made to State educational agencies (SEAs) for the purpose of supporting a fellowship program of stipends and allowances to train teachers to provide special education for handicapped children. This program under P.L. 96-374 had an authorization of $2 million for FY 1981, $3 million for FY 1982, and $5 million for each of FY 1983, FY 1984, and FY 1985. P.L. 97-35 subsequently provided, however, that no funds be appropriated for this program for either FY 1982, FY 1983, or FY 1984.

Part D--Office of Education Personnel Development

This part provides for the establishment within the Department of Education (ED) of the Office of Education Personnel Development to review and coordinate activities among ED's various education professional development programs, and to eliminate any unnecessary duplication of effort. Although title V of the HEA contains no specific authorization amounts for part D, P.L. 97-35 specified that no funds were to be appropriated to carry out part D for either FY 1982, FY 1983, or FY 1984.

Part E--Carl D. Perkins Scholarship Program

This part authorizes grants to the States for the purpose of making postsecondary scholarship awards to outstanding high school graduates who demonstrate an interest in teaching at the elementary or secondary level. Individual student awards may range up to $5,000 annually for a period of up to 4 years. Among other provisions, this program requires scholarship repayment if award recipients fail to comply with a number of program terms, including an agreement to teach for at least 2 years for each year of assistance received. Because this program was initially authorized via an amendment to the HEA in 1984 by P.L. 98-558, it is authorized beyond the FY 1985 term of most HEA programs. Under P.L. 98-558, the authorization for part E is $20 million for FY 1986, $21 million for FY 1987, $22 million for FY 1988, and $23 million for FY 1989.

Part F--National Talented Teacher Fellowship Program

This part authorizes awards to selected teachers for use to carry out projects to improve public education. Among other requirements, the amount of a Fellowship award may not exceed the average national salary of public school teachers in the most recent year for which data are available. This program was initially authorized via an amendment to the HEA in 1984 by P.L. 98-558, and, consequently, is authorized beyond the FY 1985 term of most HEA programs. Under P.L. 98-558, the authorization for part F is $1 million for FY 1986, $2 million for FY 1987, $3 million for FY 1988, and $4 million for FY 1989.

Title VI--International Education Programs

Title VI is subdivided into three parts:

Part A--International and Foreign Language Studies
(sec. 601-607);

Part B--Business and International Education Programs
(sec. 611-613); and

Part C--General Provisions (sec. 621-622).

Part A--International and Foreign Language Studies

Graduate and Undergraduate Language and Area Studies, International Studies Centers, Undergraduate International Studies and Foreign Language Programs, and research activities are authorized under this part.

The Graduate and Undergraduate Language and Area Studies program authorizes grants for the purpose of establishing, strengthening, and operating graduate and undergraduate centers and programs which will be national resources for the teaching of any modern foreign language, for instruction in fields needed to provide a full understanding of the places where such a language is commonly used, and for research and training in international studies.

The International Studies Centers program authorizes grants for the purpose of establishing, strengthening, and operating graduate and undergraduate centers that are to be regional resources to increase access to research and training in international and foreign language studies, and international aspects of professional and other fields of study. Funds under this program may also be used for stipends for individuals undergoing training in these centers.

The Undergraduate International Studies and Foreign Language program authorizes grants for planning, developing, and carrying out a comprehensive program to strengthen and improve undergraduate instruction in international studies and foreign languages.

In addition to these programs, title VI also authorizes grants and contracts for research and studies relating to foreign language instruction.

The authorization under P.L. 96-374 for all part A activities was $45 million for FY 1981, $50 million for FY 1982, $60 million for FY 1983, $70 million for FY 1984, and $80 million for FY 1985. For FY 1982, FY 1983, and FY 1984, however, part A activities were governed by the requirement of P.L. 97-35 that the appropriation amount available for all title VI programs not exceed $30.6 million for each of these years.

Part B--Business and International Education Programs

The purpose of this part is to provide the Federal share of programs designed to promote linkages between institutions of higher education and the American business community engaged in international economic activity. The Federal share of any project funded under the part B program is not to exceed 50 percent of total cost. The authorization under P.L. 96-374 for part B was $7.5 million for FY 1981 and each succeeding fiscal year through FY 1985. For FY 1982, FY 1983, and FY 1984, however, the part B program was governed by the requirement of P.L. 97-35 that the appropriation amount available for all title VI programs not exceed $30.6 million for each of these years.

Part C--General Provisions

This part includes the definitions for selected terms and the requirements for an advisory board on the conduct of title VI programs.

Title VII--Construction, Reconstruction, and Renovation of Academic Facilities

Following a preliminary section (sec. 701) that concerns the general purposes of title VI, this title is subdivided into four parts:

Part A--Grants for the Construction, Reconstruction, and Renovation of Undergraduate Academic Facilities (sec. 711-713);

Part B--Grants for the Construction, Reconstruction, and Renovation of Graduate Academic Facilities (sec. 721);

Part C--Loans for Construction, Reconstruction, and Renovation of Academic Facilities (sec. 731-735); and

Part D--General (sec. 741-742).

Part A--Grants for the Construction, Reconstruction, and Renovation of Undergraduate Academic Facilities

The purpose of this program is to provide grants for construction, reconstruction, renovation, or the acquisition of special equipment to enable postsecondary institutions:

--to economize on the use of energy resources;

--to bring their academic facilities into conformity with the requirements of the Architectural Barriers Act of 1968, sec. 504 of the Rehabilitation Act of 1973, or other Federal, State, or local environmental, health, or safety requirements;

--to improve research facilities; and

--to detect, remove, or contain asbestos hazards, and for other purposes.

The authorization under P.L. 96-374 for part A was $100 million for FY 1981 and each succeeding fiscal year through FY 1985. P.L. 97-35 subsequently required, however, that no funds be appropriated for either FY 1982, FY 1983, or FY 1984. In 1983, however, P.L. 98-95 included language that overrode this P.L. 97-35 funding prohibition.

Part B--Grants for Construction, Reconstruction, and Renovation of Graduate Academic Facilities

This program's purpose is the same as that of the part A program, except that focus is on graduate institutions of higher education. The authorization under P.L. 96-374 for part B was $80 million for FY 1981 and each succeeding fiscal year through FY 1985. P.L. 97-35 subsequently required that no funds be appropriated for part B for either FY 1982, FY 1983, or FY 1984. In 1983 however, P.L. 98-95 included language that overrode this P.L. 97-35 funding prohibition.

Part C--Loans for Construction, Reconstruction, and Renovation of Academic Facilities

The purpose of this part is to make and insure loans to institutions of higher education or higher education building agencies, for the various purposes specified under the part A program. Among the conditions of loans under this program, at least 20 percent of total project cost must be financed from non-Federal sources. A revolving loan fund is authorized for the purpose of making and insuring part C loans. Part C further authorizes a program of interest grants to aid higher education institutions and building agencies in reducing the cost of borrowing from non-Federal sources for projects that are partially funded through part C loans. Finally, part C provides that

ED may insure the payment of principal and interest to lenders under part C, under certain circumstances. The authorization for part C was $80 million for each fiscal year from FY 1981 through FY 1985, with an additional amount of such sums as may be necessary for the part C interest grant program.

Part D--General

These provisions include certain definitions that are common to all parts of this title.

Title VIII--Cooperative Education

Under the Cooperative Education program (sec. 801-803), grants are awarded to postsecondary institutions to stimulate the development of cooperative education programs in conjunction with public and private employers. Cooperative education projects provide work experience to students, either concurrent or alternating with periods of academic study, that are intended to relate to a student's career or academic objectives while also providing earnings to help meet the costs of postsecondary education. Title VIII grants are authorized both for planning and program operations, and for research and demonstration projects.

For each fiscal year from FY 1981 through FY 1985, P.L. 96-374 authorized a total of $35 million for all title VIII purposes: $30 million each year for planning and program operations grants, and $5 million for research and demonstration. For FY 1982, FY 1983, and FY 1984, however, P.L. 97-35 provided that the total appropriation for all title VIII purposes not exceed $20 million for each year.

Title IX--Graduate Programs

Title IX is subdivided into five parts:

Part A--Grants to Institutions of Higher Education (sec. 901-904);

Part B--Fellowships for Graduate and Professional Study (sec. 921-924);

Part C--National Graduate Fellows Program (sec. 931-934);

Part D--Assistance for Training in the Legal Profession (sec. 941); and

Part E--Law School Clinical Experience Programs (sec. 951-952).

Part A--Grants to Institutions of Higher Education

This part authorizes a grant program to maintain, strengthen, or improve: (a) the quality of graduate and professional programs (other than medical) leading to advanced degrees; or (b) programs that prepare graduate and professional students for public service. For this program, P.L. 96-374 authorized $50 million for each fiscal year from FY 1981 through FY 1985. P.L. 97-35 subsequently required, however, that no funds be appropriated for this part for either FY 1982, FY 1983, or FY 1984.

Part B--Fellowships for Graduate and Professional Students

This part authorizes fellowships to graduate and professional students who demonstrate financial need. No fellowship award may exceed $4,500, or the demonstrated level of financial need, whichever is lesser. Under P.L. 96-374, the authorization for part B was $60 million for each of FY 1981 and FY 1982, and for FY 1983 through FY 1985, such sums as may be necessary. P.L. 97-35 subsequently required, however, that appropriations for part B not exceed $14 million for each of FY 1982, FY 1983, and FY 1984.

Part C—National Graduate Fellows Program

This program authorizes not more than 450 fellowships to be awarded annually for graduate study in the arts, humanities, and social sciences by students of superior ability selected on the basis of demonstrated achievement and exceptional promise. Part C also directs the President to establish a National Graduate Fellows Program Fellowship Board to oversee the operation of this program. Under P.L. 96-374, such sums as may be necessary were authorized to be appropriated for part C for each fiscal year from FY 1981 through FY 1985. P.L. 97-35 subsequently provided, however, that no funds be appropriated for this program for either FY 1982, FY 1983, or FY 1984.

Part D—Assistance for Training in the Legal Profession ("CLEO")

The purpose of this program is to assist students from disadvantaged backgrounds to undertake training for the legal profession. Grants and contracts under this program may be used for various pre-law selection and preparation activities, and for the payment of stipends to selected students. This legal training for the disadvantaged program had an authorization under P.L. 96-374 of $5 million for each of FY 1981 and FY 1982, $7.5 million for each of FY 1983 and FY 1984, and $10 million for FY 1985. P.L. 97-35 subsequently provided, however, that the appropriation for part D not exceed $1 million for each of FY 1982, FY 1983, and FY 1984.

Part E—Law School Clinical Experience

This part authorizes assistance to accredited law schools for establishing or expanding programs of clinical experience for students in the practice of law. The Federal share of any project funded under this program is limited to 90 percent of its cost. The authorization for this program under P.L. 96-374 was $5 million for FY 1981, $8 million for FY 1982 and FY 1983, $9 million for FY 1984, and $10 million for FY 1985. P.L. 97-35 subsequently provided, however, that appropriations for part E not exceed $1 million for each of FY 1982, FY 1983, and FY 1984. Furthermore, P.L. 98-312 contained the provision that appropriations for part E not exceed $1.5 million in FY 1985, $2 million in either FY 1986 or FY 1987, $2.5 million in FY 1988, and $3 million in FY 1989.

Title X—Fund for the Improvement of Postsecondary Education

Title X is subdivided into two parts:

Part A--Establishment and Operation of the Fund (sec. 1001-1005); and

Part B--Establishment of Agencies (sec. 1021-1022).

Part A--Fund for the Improvement of Postsecondary Education (FIPSE)

The purpose of FIPSE is to provide grants and contracts to improve postsecondary educational opportunities by providing assistance to educational institutions and agencies for a broad range of postsecondary reform, innovation, and improvement activities. Part A also authorizes establishment of a National Board of the Fund for the Improvement of Postsecondary Education.

FIPSE had an authorization under P.L. 96-374 of $20 million for FY 1981, $30 million for FY 1982, $40 million for FY 1983, $45 million for FY 1984, and $50 million for FY 1985. P.L. 97-35 subsequently provided, however, that appropriations for title X not exceed $13.5 million for either FY 1982, FY 1983, or FY 1984.

Part B--Establishment of Agencies in Department of Education

This part authorized the establishment within the Office of Education a Bureau of Occupational and Adult Education and a community college unit. These part B requirements, however, were superceded by the establishment of ED via the Department of Education Organization Act, P.L. 96-88.

Title XI--Urban Grant University Program

Title XI authorizes an Urban Grant University Program (sec. 1101-1105) for the purpose of aiding urban universities to help address urban problems and to make their resources more readily and effectively available to the urban communities in which they are located. The authorization for this program under P.L. 96-374 was $15 million for FY 1981, $25 million for FY 1982, $35 million for FY 1983, $45 million for FY 1984, and $55 million for FY 1985.

Title XII--General Provisions

Title XII contains a number of General Provisions (sec. 1201-1205) that concern the entire HEA, including:

—definitions for a number of selected terms;

—anti-discrimination requirements;

—provisions regarding Federal and State relationships and required State agreements for participation under several HEA programs;

—special provisions concerning the treatment of Guam, the Virgin Islands, American Samoa, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands under the various HEA programs, and the authorization of $2 million annually through FY 1985 to support the cost of providing postsecondary education programs on Guam for nonresident students from the other outlying territories of the Pacific; and

—establishment of a National Advisory Committee on Accreditation and Institutional Eligibility.

SECTION 5
OVERVIEW AND GENERAL ISSUES RELATED TO FEDERAL STUDENT ASSISTANCE PROGRAMS

The purposes of the Federal student assistance programs in the Higher Education Act are to increase the "access" for students from relatively low-income families to a college education, to provide those students with the power of "choice" in the selection of institutions and programs, and to provide limited assistance to students from families of more moderate means who have difficulty meeting rising college costs. The principal Federal programs are the Supplemental Educational Opportunity Grant (SEOG), State Student Incentive Grant (SSIG), Pell Grant, Guaranteed Student Loan (GSL), National Direct Student Loan (NDSL), and College-Work Study (CWS). The grant programs are discussed in Section 6; the loan programs are in Section 7; and CWS is in Section 8.

Under the provisions of the Higher Education Act (HEA), the conscious Federal policy choice was to emphasize aid to students rather than direct aid to institutions. This decision bypassed problems related to criteria to be used in determining which institutions would receive aid and how much aid they would receive.

The extension of college opportunities to virtually all interested youth in the United States can be traced through 2 centuries of American history. The critical developments include such events as the creation of Land-Grant colleges, development of State universities, enactment of the GI Bill, the explosion of enrollments following World War II, the rapid expansion of community college systems, and enactment of the Higher Education Act that provided most of the current programs of student grants and loans. However, the dream of equal opportunity has begun to become a reality only during the past 2 decades. The concept of universal access has taken on a particular urgency and a central place in public policy for higher education. The result has been a significant growth in programs to help students and their families meet the costs of college attendance.

In contrast to institutional aid that goes to individual colleges and universities, student aid may be administered through the institution or other public or private agencies. The Federal Government has been a major source of funds for student assistance since the provision of support through the GI Bill, the authorization of fellowships through the National Science Foundation and the National Defense Education Act, and the provision of grants and loans through the Higher Education Act. During the past few years, States have begun to play a greater role in providing student assistance as they have enacted student grant and loan programs to supplement the Federal programs. With a lower level of funding, but in a more targeted manner, private sources have continued their long tradition of providing student assistance.

After a period of steady and substantial growth, the Reagan Administration's proposals for reductions in funds for certain programs--and the subsequent leveling-off of funding levels--in the 1980s have increased the anxieties of both students and institutional interests. 1/ Families confronted with higher education costs are facing additional problems because college costs as a proportion of disposable income are rising. By one estimate,

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1/ Gladieux, Lawrence E. The Future of Student Financial Aid. The College Board Review, No. 126, winter 1982-83. pp. 12-13.

more than two-thirds of the income gain in the last decade appears to have been consumed by inflation. The fiscal mood and circumstances of couples in the 25- to 34-year old age bracket has been enhanced by the second wage-earner's earnings. However, in some areas, it is becoming harder for families to add a spouse to the work force. 2/

Currently, the intense interest in increasing access through student aid in the 1980s faces obstacles, at least in the short-run. At the Federal level, declining revenue growth and increasing deficits exert downward pressure on domestic spending. Some States have severely constrained budgets as well. Appropriations for education may not keep pace with inflation for the next several years, and, as a result, tuition charges likely will continue to rise. Some analysts have predicted that pressures for restraints in Federal spending may result in level funding of student aid, which means a loss in real terms as college costs continue to rise, being the best that one can hope for in the immediate future. 3/

The continued proposals to reduce Federal grants and loans may be taking a toll in terms of the capacity of private institutions to maintain a heterogeneous student body. Recent reports suggest that the prestige institutions are receiving a smaller percent of applications from potential students whose parents did not attend college. The contention is that the student applicants are convinced that the prestige institutions are too expensive. Some observers contend that this development is an indicator that students are beginning to downgrade their choices in selection of higher education institutions. 4/

2/ Does College Cost Too Much? Newsweek, April 12, 1982. p. 56.

3/ Gladieux, Lawrence E. The Future of Student Financial Aid, p. 13.

4/ Does College Cost Too Much? p. 57.

Student aid in the new era faces changing political as well as fiscal realities. After a period of explosive growth, this multi-billion dollar set of programs is being questioned as never before. A variety of public policy makers are scrutinizing not only the appropriation levels, but also the philosophy, rules, and details of Federal student aid programs. Questions are being raised about issues such as the following:

1. Are some participants sufficiently wealthy that they do not need any form of Federal financial aid?
2. Does the current system of awarding aid primarily on the basis of need suppress the interest and desire of high school students to excel so that they might be eligible for merit aid?
3. Have the current student aid programs, combined with open admission to many institutions, made college a relatively inexpensive "escape" especially for ambivalent or weakly motivated students?
4. Do the programs relieve financially able parents of their traditional responsibility to pay the college expenses of their children?
5. Does student aid subsidize students beyond the level needed for legitimate financial support?
6. Does the application and award process have sufficient protection against dishonesty?
7. Are default rates in the loan programs too high?
8. Are schools administering the programs in a manner that will protect the interests of both students and taxpayers? 5/

Pressures to reform the student aid programs seem to reflect three issues; they are summarized in the following sentences, but are discussed in greater length in other sections of this report. First, does the current system have sufficient checkpoints to assure that students maintain satisfactory progress in their academic programs and ultimately complete their degrees? Second, should the programs be modified to provide for recognition of achievement or

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5/ Gladieux, Lawrence E. The Future of Student Financial Aid, p. 14.

ability as well as financial need? Third, should current student aid programs be recast or new ones devised in response to the Nation's specific manpower problems?

The interest in having adequate criteria for measuring satisfactory academic progress of aid recipients has been focused on students with grants, but some concern has been expressed about progress for those students with federally guaranteed loans. Reservations about this requirement include: (1) the paperwork burden that would be imposed on institutions; and (2) the impact upon the traditional autonomy of higher education institutions if the Federal Government defines the term "satisfactory academic progress." The latter concern arises because this determination currently is left to individual higher education institutions.

PROGRAM ISSUES

A variety of issues have been raised about the future of Federal student assistance programs. Each of these is discussed in greater detail in other sections of this report; the intent of this discussion is only to provide a general introduction of these issues. Issues include the cost of the program, merit vs. need as the basis for allocating funds, choice vs. national needs in the student's selection of a program of study, loans vs. grants as the most appropriate vehicle for Federal assistance, and the cost-benefit of a college education.

Program Cost

The various grant programs and the National Direct Student Loan program are subject to annual authorizations and appropriations, but the Guaranteed

Student Loan program represents a Federal obligation in the form of interest subsidies and loan guarantees. In view of the concern about the level of the Federal deficit, attention likely will be given to ways in which reductions can be made in the rate of growth in the cost of the Guaranteed Student Loan program.

Merit vs. Need

The focus of current Federal higher education student assistance programs has been to increase the access to higher education opportunities for traditionally underrepresented groups. Concerns have been raised about the need for the recognition of ability or merit in Federal student grant and loan programs so that high school students will have an additional incentive to excel. Existing student grant and loan programs in the Higher Education Act do not include performance or academic merit among the criteria used in determining a student's eligibility; however, new--and rather limited--merit-based scholarship programs were enacted during the 98th Congress that would provide funds for able students seeking to become elementary and secondary school science and mathematics teachers and also for able high school graduates who pursue higher education.

Choice vs. National Needs

The human capital theme has been sounded frequently in the reactions to proposed cutbacks in Federal student aid, and has been used as justification for maintaining current assistance programs as a means of encouraging continued economic development. However, the major Federal student aid programs are general in scope and purpose, and are not tailored to manpower projections, academically able students, or students with particular career goals that would appear to be especially in the national interest. 6/

Focusing student aid on areas of projected manpower shortage may be a difficult goal. Surpluses and shortages come and go, and often the problems that "new" policies are designed to address have changed or disappeared by the time such policies are implemented. 7/ Manpower planning has tended not to work very well either in centrally controlled countries or in multi-level, decentralized governmental systems such as our own. However, the public policy question remains concerning the degree to which a publicly subsidized postsecondary educational system should be responsive to student demands without some consideration of societal needs.

Loans vs. Grants

In the face of a possible shift in Federal policy, the search has begun across the country for alternative ways to help students pay for college. States, educational institutions, private lenders, investment bankers, and others are all engaged in an effort to provide loans that would help fill the gap created by cutbacks in Federal student aid and rising college costs. Loans have the attractive feature of being less costly to either States or the Federal Government than grants because they are repayable, generally with interest. Because of this cost-effectiveness feature, loans reach more students than grants, especially if loan capital is provided by non-governmental sources. Moreover, many believe that loans--through the repayment process--make students more directly aware of the value of their education, and enhance

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6/ Ibid., p. 16.

7/ Ibid.

the extent to which the direct beneficiaries of postsecondary education--the students--contribute toward meeting the costs of their education. As greater emphasis is placed on loans, concerns are being expressed about the possible impact that changes might have on the access of minority or other students who traditionally have greater difficulties finding employment or obtaining a loan.

Cost-Benefit of Higher Education

Cost-benefit questions continue to be raised about the merits of using public funds to subsidize individuals to attend higher education institutions. One issue is whether support should vary based on the combination of national need for individuals prepared for certain jobs and the relative salary earned by persons in these "national need" occupations. The continuing issue is whether public subsidies should be provided for students to secure a college education that will enable them to improve their economic earning power.

PROGRAM OPTIONS

Options for revision of the current Federal student assistance programs are discussed in detail in the following three sections, but the Education Savings Account proposal (ESA) is different from other options for current programs. The ESA is neither a grant nor a loan, but rather is a tax code proposal which normally would be referred to the Committee on Finance.

Education Savings Accounts

The FY 1984 and FY 1985 Reagan Administration budgets proposed Education Savings Accounts (ESAs) as an incentive for families to save for their children's postsecondary education expenses. Under the proposal, families could establish ESAs without the interest or dividends being subject to Federal income tax. Up to $1,000 per year per child could be contributed to an ESA. Unlike contributions to an Individual Retirement Account (IRA), ESA principal contributions would not be tax deductible, nor would their distributions be considered taxable income. A ceiling has been discussed for ESAs; under the Reagan Administration's proposal in 1984, no tax benefits would be allowed for families with income above $60,000 per year, and full benefits would be allowed only for families with income below $40,000 per year.

Issues related to the ESA proposal include the eligibility to establish such accounts, types of investment allowed, degree of tax exemption allowed (interest only, or principal as well), type of school that would be eligible, and degree of incentive for savings, given the other types of savings and trust accounts currently available for minors. The years needed to accumulate significant tax-exempt earnings would mean that ESAs would provide no immediate assistance for students. Under a typical scenario, contributions of $1,000 per year for 10 years would provide a tax advantage of less than $1,000. Another issue is the loss of Federal revenues, estimated by the U.S. Treasury to be $295 million in FY 1987. Equity issues often arise with this type of proposal; other things being equal, families with higher eligible incomes not only can afford to save more than families with lower incomes, but also will receive relatively greater tax benefits because exempt interest would be taxed at a higher rate. 8/

8/ Additional analysis on this proposal may be found in "Education Savings Accounts: An Analysis of President Reagan's Proposal" by Robert F. Lyke, Congressional Research Service, Revised December 20, 1984. 16 p.

SECTION 6
STUDENT GRANT PROGRAMS

Of the six major Federal Student Assistance programs administered by the Department of Education, three provide grant assistance to students--the Pell Grant program, the Supplemental Educational Opportunity Grant program (SEOG), and the State Student Incentive Grant program (SSIG). These programs provide grants, that is, there is no requirement to pay any money back to the Federal Government nor is there any requirement that the student perform any service other than maintaining satisfactory academic progress while in postsecondary education. Another program, the Federal Merit Scholarship Program, was authorized by the 98th Congress, but no funds were appropriated.

Of the three funded grant programs, the Pell Grant program is often called the "foundation" of student aid. It provides grant assistance to needy undergraduate students to help them meet the cost of education with the current maximum annual award set at $1,900 (for academic year 1984-85). The SEOG program also provides grant assistance to undergraduate students who demonstrate financial need. SEOG awards are generally supplemental to the Pell Grant award with the financial aid officers at postsecondary institutions ultimately responsible for determining the amount of the student's award. The SSIG program provides grants to States to encourage them to establish State student aid programs. Grants are then extended to the student as a result of Federal dollars, but each Federal dollar received must be matched on a $1 for $1 basis.

Each Federal student aid grant program makes a distinctive contribution to the packaging of student aid and has its unique problems as well. However, because these programs are all grant programs, they share some common issues. In the following discussion, the current structure of the three student assistance programs is reviewed. A brief overview of the major evaluation findings is presented. This section concludes with a discussion of common issues shared by the three programs and selected legislative options to the current student aid grant structures.

PELL GRANT PROGRAM

The Pell Grant, originally called the Basic Educational Opportunity Grant program (BEOG), initially was incorporated into the Higher Education Act by the Education Amendments of 1972. Consistent with the original purpose of the BEOG to help equalize educational opportunity, the Pell Grant provides grants to help eligible undergraduate students from low-income families finance their postsecondary education. Grants are provided directly to undergraduates based upon financial need, and the eligibility for an award is determined by a federally-established need analysis. Pell Grants are considered to be the "foundation" for Federal student aid with other non-Federal and Federal grant and loan programs providing additional assistance if necessary. The Pell Grant program has grown from approximately 200,000 recipients receiving under $50 million in the 1973-74 academic year to a projected 2.8 million recipients in academic year 1983-84 receiving $2.8 billion, with an average award of $990.

Under the Pell Grant program, students apply to the Federal Government for a determination of eligibility based upon a national need analysis system, the central component of which is the "family contribution schedule." The law requires that the Secretary submit a schedule to Congress indicating how an applicant's expected family contribution should be determined. The method of determining the final expected family contribution takes into account parental and student income, assets, and family size. The final expected family contribution is then used as part of the formula for determining the final Pell Grant award. In general, the Pell Grant family contribution schedule specifies whose income and assets are to be considered in assessing a student's eligibility for a Pell Grant award, and how such income and assets are to be treated. Upon notification of eligibility for a Pell Grant, a student may use the grant at one of the eligible postsecondary institutions participating in the Pell Grant program, including non-profit colleges and universities as well as postsecondary vocational/technical and proprietary (profit-making) institutions. Students must be enrolled at an eligible postsecondary education institution on at least a part-time basis and maintain "satisfactory academic progress." 1/

The final Pell Grant award is calculated on the basis of a formula which in the case of the 1984-85 academic year is the least of:

1. one-half the cost of education; 2/
2. the maximum award (set at $1,900 for 1984-85) minus the expected family contribution; or
3. cost of education minus the expected family contribution.

1/ Satisfactory academic progress is defined in regulation as an evaluation of a student's efforts to achieve an educational goal within a given period of time. (34 CFR 674.9)

2/ Cost of education as defined in regulation includes tuition and fees, room and board, transportation, books and supplies, and personal expenses at an institution of postsecondary education. (34 CFR 690.51)

Legislative History

The Basic Educational Opportunity Grant (BEOG) program was first authorized under the Education Amendments of 1972 (P.L. 92-318). The legislation's original intent, as outlined in the conference report (H. Rept. No. 92-1085), was to help equalize educational opportunity across income classes using the vehicle of student aid. This legislation resulted from a lengthy debate over whether Federal aid to higher education should emphasize institutional or student grants. Under a Senate amendment, students at colleges and universities from relatively low-income families would be entitled to BEOGs to assist them in pursuing a postsecondary education. Part of the impetus for creating the BEOG program was to improve student aid delivery and to bring more equity (or at least uniformity) into the parceling out of student aid. Because of the variance among and within States in the treatment of students with similar needs, the BEOG with no State formula would help provide funds equally to students who needed the aid most.

The Education Amendments of 1976 (P.L. 94-482) extended the authorization for BEOGs through FY 1979 and raised the maximum funding level for each grant from $1,400 to $1,800 for academic year 1978-79.

The Student Aid Technical Amendments of 1977 (P.L. 95-43) made certain technical and conforming amendments to the Higher Education Act of 1965. These amendments set forth a reduction procedure to be used in computing a BEOG award when available appropriations were not sufficient to pay the maximum authorized grants.

In 1978, the Middle Income Student Assistance Act (MISAA), P.L. 95-566, amended the Higher Education Act to broaden student aid programs to ensure that middle-income students could participate. MISAA altered the BEOG family contribution schedule by changing the percentage of assessment on parental discretionary income used in determining the expected family contribution. In addition, MISAA required that independent students with dependents be treated the same when determining offsets applied to their assets as for all other students. MISAA also modified the reduction procedure for BEOGs and prohibited the payment of any BEOG entitlements for FY 1980 unless the campus-based SEOG and College Work-Study programs were funded at prescribed levels.

The last major reauthorization of the Higher Education Act occurred in 1980 with the Education Amendments of 1980 (P.L. 96-374). P.L. 96-374 renamed the BEOG as the Pell Grant in honor of the program's original sponsor, Senator Claiborne Pell. The Act also changed grant levels and student eligibility, extending the program to all needy full- and part-time undergraduates. The maximum grant levels were authorized to be increased from $1,800 in 1981-82 to $2,600 in 1985-86. The half-cost limitation was modified so that, as the maximum grant levels increase, Pell Grants would meet up to 70 percent of the cost of attendance when the maximum reached $2,600.

With the passage of the Omnibus Budget Reconciliation Act of 1981 (OBRA) (P.L. 97-35), the authorization levels were restricted for most Department of Education student aid programs for FY 1982 through FY 1984. New authorization ceilings were set for the Pell Grant--$2.65 billion in FY 1982, $2.8 billion in FY 1983, and $3.0 billion in FY 1984. Prior to this, the authorization for appropriations had been simply "such sums as may be necessary."

The authorization ceilings imposed by OBRA resulted in other substantive amendments to the Pell Grant program. The Secretary of Education was granted the authority to waive any provision of the Pell Grant program in order to meet OBRA's new authorization levels. To facilitate the calculation of eligibility based on the need analysis, P.L. 97-35 required separate family contribution schedules for the Pell Grant and Guaranteed Student Loan programs; publication dates were revised for the Pell Grant family contribution schedule; assessment rates on parental discretionary income were changed; and a $5 institutional allowance was added for each Pell Grant processed by a postsecondary institution. The maximum Pell Grant was set at $1,800 for the 1982-83 academic year.

The last major reauthorization of the Higher Education Act was in 1980, but subsequent amendments have dealt primarily with the family contribution schedule. P.L. 97-301, the Student Financial Assistance Technical Amendments of 1982 maintained the Pell Grant family contribution schedule for 1983-84 with some modifications of the treatment of veterans and with an adjustment for inflation for the family size offset. P.L. 98-79, the Student Loan Consolidation and Technical Amendments Act of 1983 mandated that the 1984-85 family contribution schedule continue major provisions of the 1983-84 schedule with some modifications. The Secretary of Education was instructed to update the 1983-84 schedule for economic assumptions.

Evaluations

Data on participation and level of support provided by the Pell Grant program may be found in the Office of Student Financial Assistance's Pell Grant Program End of Year Report (1981-82) and the Cooperative Institutional Research Program of Higher Education Research Institute's Annual Survey of Freshmen 1982-83 (CIRP). Both reports are summarized in The Annual Evaluation Report of Department of Education Programs (ED, FY 1983). Two questions were addressed on the topic of program effectiveness: (1) How well does the Pell Grant program provide a "floor of support" for postsecondary students? and (2) Are these funds distributed in an equitable manner?

In answer to the question concerning the floor of support provided by the Pell Grant, according to the CIRP survey, Pell Grants provide freshmen with a floor of support which meets a larger percentage of total costs at lower-cost schools (26.4 percent) than higher-cost schools (12.9 percent). For the low-income population (family incomes below $10,000) Pell Grants provide 30.4 percent of the cost at low-cost schools. In answer to the question concerning equitable distribution of funds, according to CIRP data, Pell Grants are equitably distributed with grant amounts decreasing with income but increasing with cost. Pell Grants, as a percent of cost and as a rate of program participation, are highest for low-income students; this pattern appears to be consistent with legislative intent.

Three recent GAO reports 3/ have reviewed various aspects of the Pell Grant program. Concerns expressed in the reports were that some Pell Grant recipients were not making satisfactory academic progress, and that criteria for determining inadequate progress, evaluating satisfactory progress criteria, and enforcing current criteria were all inadequate. Other notations included the award of grants to students who did not meet the criteria and errors in fiscal management of the program at the institutional level.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

The Supplemental Educational Opportunity Grant program (SEOG) was authorized and incorporated into the Higher Education Act by the Education Amendments

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3/ Many Proprietary Schools Do Not Comply with Department of Education's Pell Grant Program Requirements. General Accounting Office. August 1984; Prisoners Receiving Social Security And Other Federal Retirement, Disability and Education Benefits. General Accounting Office. July 1982; [and] Some Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress and Tougher Standards Are Needed. General Accounting Office. December 1981.

of 1972. It superceded the Educational Opportunity Grant which was established by the Higher Education Act in 1965 (P.L. 89-329). The SEOG program provides educational grants to undergraduates who demonstrate exceptional financial need. The primary use of the program is to provide supplementary funds for the student who without such aid would not be able to attend a postsecondary institution. An individual's annual award may range from $200 to $2,000.

This program is campus-based, and the financial aid officer at the school attended by the student determines the amount of a student's SEOG award, applying criteria approved by the Department of Education. Unlike the other campus-based programs, however, SEOG has no matching provision.

When the Educational Opportunity Grant program began, it served slightly over 100,000 students with an appropriation of $58 million. The SEOG has grown from an appropriation of $200 million in 1973-74 serving 300,000 recipients to $375 million in appropriations in FY 1984 serving a projected 655,000 recipients with an average award of $525.

Under the current SEOG program, the institution determines which students will receive grants from the available funds with the option of reserving 10 percent for less than half-time students. In addition, a portion of the funds for SEOG and College Work-Study may be interchanged, i.e., up to 10 percent currently can be transferred, one to the other if the institution can provide more effective student aid by doing so.

The State allocation formula for SEOGs is based upon each State's full-time and part-time enrollment converted to a full-time equivalent number relative to the total number of students in all States. Funds are allocated as initial year grants for first-time recipients or as continuing year grants for previous recipients of SEOG. Under current law, if the appropriation is sufficient, statutory provisions stipulate that institutions will receive at least the amount of their 1979-80 allocation.

Legislative History

The Education Amendments of 1972 (P.L. 92-318) extended the existing Educational Opportunity Grant program as a supplementary program to the BEOG program, authorizing $200 million to be appropriated for fiscal year 1973 and each of the 2 succeeding fiscal years for initial year grants, and "such sums as necessary" for continuation grants. The maximum amount for a grant was increased over the previous Educational Opportunity Grant to $1,500 (from $1,000) a year with a maximum 4-year total of $4,000 (or $5,000 for students in a regular 5-year program). Half-time students were eligible for funds under the program on a pro rata basis.

The Education Amendments of 1976 (P.L. 94-482) extended the authorization for funding of the program through FY 1979. The previous annual authorization levels of $200 million for new grants and "such sums as necessary" for continuing grants were maintained.

Under the Education Amendments of 1980, the SEOG program continued to provide separate initial year and continuing year authorizations. The maximum grant was increased to $2,000 annually and the cumulative limits of $4,000 and $5,000 were repealed. The legislation eliminated the limitation on the number of years a student is eligible for an SEOG. Also, the provision limiting SEOG to students with "exceptional financial need" was changed to read simply students with "financial need."

Several changes were made governing the SEOG allocation formula to States and institutions. The enrollment-based interstate allocation formula was changed so that it eliminated graduate students from the calculation. The law also specified for the first time how SEOG funds allotted to each State should be divided among institutions within the State. The legislation authorizes the Department of Education to use the "fair share" approach in distributing SEOG funds--the formula determines each institution's need for SEOG funds by subtracting from the total cost of education the amount of assistance that students have available from family resources and other sources of student aid. Institutions need to count only 25 percent of their own student assistance grants and that portion of State grants from Federal SSIG funds. These changes were made to avoid penalizing States and institutions that increased their own student aid efforts.

Evaluations

Evaluation reports on the SEOG program include the following:

1. 1981-82 Campus-Based Programs Annual Report, Department of Education, Office of Student Financial Assistance, December 1982;
2. Cooperative Institutional Research Program Annual Survey of Freshmen 1982-83 (CIRP); and
3. Report on the Funds Distribution Formula under the Campus-Based Aid Programs, U.S. Department of Education, March 1983.

Although originally targeted at only the neediest students, the SEOG program now applies to all students with any demonstrated financial need. The purpose of the SEOG is to facilitate wider student choice in the selection of an institution. An analysis of the Cooperative Institutional Research Program data suggests that most students with an SEOG also receive a Pell Grant (73 out of 100) but that a relatively small percentage of all Pell Grant recipients also receive an SEOG. (The appropriation for the Pell Grant program is much larger.)

According to the CIRP survey, SEOG funds cover a smaller percentage of colleges costs as those costs increase. Over a 2-year period from 1980 to 1982, a decrease was found in the average fraction of costs covered (from 15.8 percent in 1980 to 14 percent in 1982) by an SEOG. Following the CIRP survey, an analysis was made of the effectiveness of the State allocation formula. The level of significance in the research study was not deemed sufficient to justify using a State formula in allocating SEOG funds.

STATE STUDENT INCENTIVE GRANT PROGRAM

Although the State Student Incentive Grant (SSIG) is called a grant, it is generally treated separately from other grant assistance programs because it is a State-based program. The SSIG provides grants to States to encourage development and expansion of need-based grant programs, and State scholarship aid programs for postsecondary students.

To participate, States are required to match each Federal SSIG dollar with another dollar from non-Federal sources. The SSIG program differs from the three campus-based programs in that SSIG funds are allocated to State agencies rather than directly to educational institutions. After each State's SSIG grant is merged with the required non-Federal matching funds, resulting "State aid" awards are made either directly to students or indirectly through participating educational institutions, according to the terms established by the State.

The SSIG program was initially authorized as part of the Higher Education Act (HEA) by the Education Amendments of 1972 and is currently authorized under title IV, part A, subpart 3 of the HEA. Between 1966 and 1983, over $4 billion in grants have been made to students under this program. Grant dollars grew from over $364 million in 1973-74 to over $1 billion in academic year 1983-84. During the 1984-85 academic year, the FY 1984 SSIG appropriation of $76 million is expected to be matched and used by States to make an estimated 304,000 student awards.

Typically, States "over match" the one-to-one State SSIG funding requirement. For the 1984-85 academic year, of the 46 jurisdictions, 37 have provided at least 75 percent more need-based grant aid than is required to match Federal funds.

Legislative History

The Education Amendments of 1972 established a new program of incentive grants to the States to pay up to 50 percent of the cost of a program of student grants. The grants, of up to $1,500 a year, would be administered by a single State agency to full-time students on the basis of need. P.L. 92-318 authorized $50 million to be appropriated for fiscal year 1973 and each of the 2 succeeding fiscal years for initial year student incentive grants and "such sums as may be necessary" for continuation grants to students who have already received initial year grants.

In the Education Amendments of 1976, the authority for the SSIG was extended through FY 1979 at the previous annual authorization level of $50 million. Amendments to the SSIG legislation provided that funds, not only for initial year grants but also for continuing year grants, were to remain available for payments to the States through the end of the succeeding fiscal year. A new subsection was added to the legislation requiring that for any academic year after July 1, 1977, private non-profit and proprietary institutions were eligible for participation. Another section provided that when appropriations for the SSIG exceed $75 million, the Commissioner (now Secretary of Education) is to allot 33-1/3 percent of the excess among those States with Guaranteed Student Loan reinsurance agreements on the basis of their share of all students enrolled in such States.

The Education Amendments of 1980 changed the practice of allowing separate initial and continuing year authorizations. The amendments increased the maximum grant to $2,000, and made graduate students and less than half-time students eligible for SSIG if States choose to include them. The 1980 amendments also created a new maintenance of effort requirement. States must maintain their grant effort at the average aggregate level of awards for the previous 3 fiscal years or of the average award level per FTE student for the previous 3 years.

Evaluations

No evaluation studies of the State Student Incentive Grant program are currently underway. The most recent SSIG program evaluation is the Cooperative Institutional Research program (CIRP) of the Higher Education Research Institute's Annual Survey of Freshmen, 1982-83. The Department of Education Annual Report on Education Programs (FY 1983) includes some of the CIRP findings. These data revealed that public institutions received 56 percent of SSIG funds and accounted for 72 percent of all recipients. Private schools received 41 percent of the funds and had 26 percent of the recipients. Proprietary and other non-profit institutions had 2 percent of funds and 2 percent of recipients.

The CIRP and Annual Evaluation Report on Department of Education Programs have shown that from FY 1981 to FY 1983 the average award to students has remained stable, but as a result of rising education costs, the percentage of education cost paid by the SSIG average grants has dropped from 16.8 percent to 14 percent of total costs.

FEDERAL MERIT SCHOLARSHIP PROGRAM

The Federal Merit Scholarship program, administered by the Secretary of Education, is to provide grants to States "to enable the States to award scholarships to individuals who have demonstrated outstanding academic achievement and who show promise of continued academic achievement." Scholarships are to be awarded for 1 academic year for the first year of study at any institution of higher education. A student awarded a scholarship must be a graduate of a public or private secondary school or have the equivalent of a certificate of graduation recognized by the State in which the student resides, and must be admitted to an institution of higher education for enrollment.

Each student awarded a scholarship must demonstrate "outstanding academic achievement and show promise of continued academic achievement." States are authorized to establish criteria for the selection of merit scholars and on that basis 10 individuals will be selected from among residents of each congressional district in a State (10 each for D.C. and Puerto Rico). State educational agencies (SEAs) in adopting selection procedures are to consult with school administrators, school boards, counselors, teachers, and parents.

Each student awarded a merit scholarship shall receive a stipend of $1,500 for the academic year of study for which the scholarship is awarded. State educational agencies must verify that a student receiving a merit scholarship is pursuing a course of study in an institution of higher education. The State educational agency is responsible for arranging the award ceremony at a place in each State convenient to the individual selected. To the extent possible, awards are to be made by members of the House and Senate. The selection process is to be completed and awards made prior to the end of each secondary academic year.

The Secretary of Education is authorized to enter into agreements with States desiring to participate in the merit scholarship program. State educational agencies will administer the scholarship, will comply with eligibility and selection provisions, and will conduct outreach activities to publicize the program to assure that low-income and moderate-income families have access to the information. A portion of the State funding allocation can be used for administration expenses.

From sums appropriated, States will be allotted the combined total of: (1) $1,500 multiplied by the number of individuals in the State eligible for merit scholarships; (2) plus $10,000; (3) plus 5 percent of the amount for which a State is eligible under (1). The sum of the amounts calculated under (2) and (3) is for State administration expenses. A Federal merit scholarship is not to be counted for any needs test in connection with the awarding of any grant or the making of any loan under the Higher Education Act, or any other provision of Federal law relating to educational assistance. Authorizations are $8,000,000 for each of the fiscal years, 1986, 1987 and 1988.

Summary of Legislative History

The Federal Merit Scholarship program was first proposed on August 8, 1984, when Senator Byrd introduced S. 2915, the Federal Merit Scholarship Act, amending the Higher Education Act to establish a Federal Merit Scholarship Program. No action was taken on S. 2915. On October 4, 1984, S. 2565 passed the Senate with amendments (including the addition of the Federal Merit Scholarship program). On October 9, 1984, the House passed S. 2565 as approved by the Senate. The President signed S. 2565 on October 30, 1984 (P.L. 98-558). The program is authorized under subpart 6 of part A of title IV of the HEA.

PROGRAM ISSUES

Several issues have been identified in evaluations, hearings, and discussions of Federal assistance grants for college students. The principal issues are funding level, consolidation of grants, academic progress, grants as regulators of choice of an institution, fraud and abuse, need analysis, and limiting grants to students studying in areas of national need.

Funding

A major concern with student assistance programs is the balance that should be maintained between loans and grants. The mix of funding levels, i.e., the proportion of funding for Federal student aid grants as opposed to loans and work-study funds, is important, not only for maintaining a balance between kinds of aid, but also for maintaining the individual programs so that they will meet the intended goals and serve the intended target population. In the FY 1985 appropriation, the student aid grants received $4.06 billion, student loan programs received approximately $3.3 billion (but generated a much higher loan volume figure), and the College Work-Study program received $592.5 million. As shown in table 6.1, funding for the three grant programs has increased from FY 1974 to FY 1985. The total FY 1985 appropriations for the three programs represent the funding peak in terms of real dollars, and also is the peak year when funding is adjusted for inflation.

Funding for the predecessor Educational Opportunity Grants was as follows:

FY 1966---$58 million
FY 1967---112 million
FY 1968---140.6 million
FY 1969---124.6 million
FY 1970--$164.6 million
FY 1971---167.7 million
FY 1972---220.3 million
FY 1973---210.3 million

TABLE 6.1. Appropriations Levels for Federal Student Assistance Grant Programs (In thousands of dollars)

Fiscal year	Pell Grants	SEOG	SSIG	Total grants
FY 1974	$475,000 a/	$210,300	$19,000	$704,300
FY 1975	840,200	240,300	20,000	1,100,500
FY 1976	1,325,800	240,093	44,000	1,609,893
FY 1977	1,903,900	250,093	60,000	2,213,993
FY 1978	2,160,000	270,093	63,750	2,493,843
FY 1979	2,431,000	340,000	76,750	2,847,750
FY 1980	1,718,000	370,000	76,750	2,164,750
FY 1981	2,604,000 b/	370,000	76,750	3,050,750
FY 1982	2,419,040	355,400	73,680	2,848,120
FY 1983	2,419,040	355,400	60,000	2,774,440
FY 1984	2,800,000	375,000	76,000	3,251,000
FY 1985	3,575,000 c/	412,500	76,000	4,063,500

a/ The FY 1983 BEOG appropriation was $122 million.

b/ Of this total, $258 million was used for the 1980-81 academic year; the remainder was used for the 1981-82 academic year.

c/ The appropriation includes $250 million to cover funding short falls for previous fiscal years.

Inadequate funding recently has become a problem in the administration of the Federal student assistance programs. In the 1983-84 academic year the Pell Grant program experienced a funding short fall. That is, approximately $351 million was drawn down or borrowed from the FY 1984 appropriation. The reason for the short fall was that approximately 200,000 more applicants qualified for grants than projected. Most of the additional eligible applicants were independent students at low-incomes who qualified for substantial Pell Grants, thus requiring a significant increase in funding. In the case of a funding short fall the Department in cooperation with the Congress could have taken one of three actions: (1) seek a supplemental appropriation; (2) seek an increased appropriation for the next fiscal year; or (3) put in place a Pell Grant payment reduction schedule. Faced with these alternatives, the Congress in the FY 1985 appropriation provided an additional $250 million to cover the funding short fall. However, the funding short fall points to the problem of dealing with a formula-driven grant program.

Consolidation of Grants

The FY 1985 Reagan Administration budget proposed having only one student aid grant program. As part of this plan the Administration recommended the elimination of the State Student Incentive Grant program (SSIG), assuming that the program had been successful, that States were overmatching grants, and that such seed money was no longer necessary to encourage States to establish scholarship aid programs. The FY 1985 Reagan Administration Budget also recommended eliminating a separate appropriation for the Supplemental Educational Opportunity Grant program (SEOG) by providing funding only through transfer authority with the College Work-Study program. The rationale for this recommendation was that a 10 percent transfer authority already existed and was being used between the College Work-Study and SEOG programs; and in addition, that only one grant program (the modified Pell Grant or Self-Help grant program) was necessary to help give low-income students access to postsecondary education.

Academic Progress

To some degree, all three Federal grant programs are concerned with the students' maintaining satisfactory academic progress. Complaints about the abuses in the Pell Grant program have referred to lax monitoring of academic progress standards at some postsecondary educational institutions attended by Pell Grant recipients. A 1981 General Accounting Office (GAO) report indicates the problem in its title--"Some Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress, And Tougher Standards Are Needed." Satisfactory progress is defined by GAO as an evaluation of a student's efforts to achieve an educational goal within a given period of time.

GAO contends that, in establishing its satisfactory academic progress standards, an institution should take into account the normal time frame for completing the course of study and use measurements such as grades or work-projects completed, which can be measured against the norm. At present, a student may receive a Pell Grant for as long as it takes to get an undergraduate degree. Some program critics argue that academic progress standards are not set at reasonable levels or adequately enforced by individual colleges' policies, so that a student could receive financial aid for years beyond a "reasonable time to complete a program."

According to GAO, some of those schools with academic progress standards did not enforce those standards, leading to estimated overpayments to Pell Grant recipients by at least $1.2 million per year in the sample colleges surveyed. Some of the program abuses considered by GAO, in addition to students repeating courses and having incomplete grades, included insufficient grade point averages to earn credits, early withdrawal from courses and slow rate of progress.

GAO recommended that, while the Pell Grant regulations should allow each institution discretion in setting its own standard, the school's standards should provide for:

--a reasonable relationship between the minimum proficiency levels or grade point averages required and the requirements for graduation;

--movement toward graduation or program completion at a reasonable rate;

--limitations on excessive withdrawals, repeated courses, courses for which non-punitive (pass/fail) grades are assigned; and

--limitations on courses that do not count toward graduation or completion of a program.

In response to the GAO report, hearings were held by the House Postsecondary Education Subcommittee on March 2, 1982, to address the subject of satisfactory progress in college and how it can be maintained and tied to Pell Grants. Testimony given concluded that there is no universally accepted definition of "satisfactory progress," and that it is highly unlikely that the Department of Education could draft standards for over 3,000 institutions that would fit every institution and every type of program offered. The impact of mandating standards of academic progress for schools might be felt most at those schools which enroll many low-income students, individuals whom the Pell Grant program is intended primarily to help. One possible proposal would be to return to a limitation of four annual Pell Grants to a single individual, corresponding to the normal time required to complete college.

Grants as Regulators of Choice

One point of continuing concern with the limits or ceilings on Federal student assistance programs has been the differences in costs of attendance (principally tuition and fees) between public and private institutions of higher education. The contention has been that fixed dollar ceilings, as contrasted to a proportion of the cost of attendance, work to the disadvantage of students attending private institutions.

A student's choice of institution, whether it be public or private, is influenced by the cost of education at that institution, the person's resources, and the student's potential student assistance package. Certainly, if a grant will pay the majority of the cost of education at a particular institution but not at others, then the student with limited family or personal resources will have an incentive to choose that institution.

Crucial to the Pell Grant program is the provision that the Pell Grant award cannot exceed a certain percentage of college cost (limited for academic year 1984-85 to 50 percent). Also crucial is the maximum Pell Grant award set for a given academic year (set at $1,900 for academic year 1984-85). Private institutions tend to feel penalized by the fixed maximum because in many cases the maximum Pell Grant award is not sufficient to cover even half the cost of a private institution (with total cost of education averaging $9,000 in academic year 1984-85). On the other hand, increasing the percentage of college cost paid by the Pell Grant award in combination with increasing the allowable maximum Pell Grant could benefit public as well as private institutions. Under FY 1985 appropriations legislation, for the 1985-86 academic year, the maximum Pell Award will increase to $2,100 and the percentage of cost covered will increase to 60 percent.

Fraud and Abuse

The SEOG and SSIG programs have not been cited by the General Accounting Office (GAO), but the agency has reported that there is abuse in the form of overpayment and other mismanagement of awards under the Pell Grant program.

One particular finding is that many proprietary schools were not adhering to the requirements for administering the Pell Grant program. The particular abuses that a recent GAO report 4/ delineates are as follows:

1. Over half the schools surveyed admitted students who did not meet admissions requirements, and about 74 percent dropped out or were terminated before completing training.
2. Students were allowed to remain in school who did not meet satisfactory academic progress standards. Of the proprietary schools surveyed, 83 percent were failing to enforce academic progress standards.
3. The schools misrepresented themselves when attempting to recruit prospective students in terms of what they could provide, giving erroneous information about job placement and available scholarships.
4. Administrators made errors in computing and disbursing Pell Grants. Over 25 percent of the schools had computed Pell Grant awards incorrectly while over 30 percent had made errors in disbursing awards. A majority of the schools surveyed had failed to make refunds to the Department of Education when students failed to complete training. (Schools receive Pell Grant advances from the Department, which are credited to student accounts. If the student fails to complete training, the school is required to provide a refund to the Department.)

The GAO report recommends improved monitoring procedures for proprietary schools to better assure that they comply with the Pell Grant program requirements and that students obtain intended benefits.

Need Analysis: The Pell Grant Family Contribution Schedule

The Pell Grant program uses a federally-established need analysis system, the central component of which is the family contribution schedule. In general, the Pell Grant family contribution schedule specifies whose income and assets are to be considered in assessing a student's eligibility for a Pell

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4/ General Accounting Office. Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Requirements. Washington. August 1984.

Grant award and how such income and assets are to be assessed. The expected family contribution is defined as,

> the amount which the student and his family may be reasonably expected to contribute toward his postsecondary education for the academic year for which the determination is made, as determined in accordance with regulations.

The family contribution schedule is controversial because any substantive change in the structure of the family contribution schedule can alter not only the number of participants in the Pell Grant program, but also can affect the ultimate size of the Pell Grant award. The schedule also is generally considered on an annual basis because the Pell Grant program is funded by an annual appropriation rather than funded on an entitlement basis.

Final regulations for the Pell Grant family contribution schedule for academic year 1984-85 were published in the Federal Register on August 30, 1983. These regulations were based upon changes made by section 4 of the Student Loan Consolidation and Technical Amendments of 1983 (P.L. 98-79). The Pell Grant family contribution schedule for 1984-85 has not been changed substantially from the 1983-84 schedule. The net result likely will be a marginal increase in awards (with the maximum at $1,900 for 1984-85). As a result of changes made by P.L. 98-79, the schedule will contain an increase in family size offsets adjusted by the fluctuation in the Consumer Price Index.

Study Area Limitations on Grants

Under the present programs, no consideration is given to a student's chosen area of study in determining grant recipients. Since resources are limited for this Federal program, support can be found for awarding grants only to those students studying in certain subject areas that have been identified as national priority areas. However, these limitations would be in conflict with the traditional emphasis on student choice, and also with the assumption that students will respond to "market signals" (e.g., relative wages) by shifting subject areas to meet national needs.

PROGRAM OPTIONS

Several alternatives have been discussed for changing the existing Federal student grant programs. Options include restructuring the program with aid being determined on the basis of self-help, funding the Pell Grant program as an entitlement, block granting the campus-based programs, basing the payment on a proportion of the cost of attendance, and limiting awards to areas of national need.

Restructuring the Grant Program: Self-Help Initiative [5]

The Federal student grant programs could be modified so that students would be required to contribute the greater of a set amount or a percentage of their educational expenses, while continuing to stipulate the maximum amount that could be received. (H.R. 5451 would have set the self-help limits at $500 or 40 percent of their educational expenses--whichever is greater--as a condition for eligibility for a Pell Grant, and would have set the maximum grant at $3,000.)

The self-help initiative could also encompass other Federal student assistance programs, and place a limit on a student's eligibility for any supplemental grants and/or the total amount of Federal assistance (grants plus loans) that a student might receive. (H.R. 5451 would have set the maximum supplemental at the lesser of $4,500 or 60 percent of the cost of education. In addition, H.R. 5451 would have provided no funding for either Supplemental Educational Opportunity Grant or the State Student Incentive Grant programs.)

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[5] This concept was included in the Reagan Administration's FY 1985 budget and included in H.R. 5451 and S. 2870 in the 98th Congress.

Some endorse the self-help concept because emphasis would be placed on parental and student responsibility for financing college costs. However, some college administrators have argued that the self-help contribution is not a realistic figure or proportion that a student can contribute to the costs of education, and that students in various postsecondary institutions will have difficulty meeting the self-help requirements. Criticisms of the self-help concept are characterized by some as more rhetorical than substantive, because very few students now have all of their college expenses covered by Federal, State, and other grant programs, and therefore must already rely upon "self-help" to some degree.

Program Termination

One option would be to terminate the SEOG and SSIG programs. For example, some might argue that the SSIG has served its purpose of encouraging States to initiate their own programs. The contention also might be made that there would be no need for the SEOG program under a modified Pell Grant program with a self-help component. In some States, the Federal dollar may serve as an "incentive" for the State scholarship programs because those States have difficulty matching the Federal dollar to keep the program going; however, proponents for terminating the SSIG program have argued that the majority of States participating in the program are over matching and do not need seed money from the Federal Government.

Pell Grant as Entitlement 6/

Current legislation could be amended to permit the Pell Grant program to work as an entitlement program, i.e., each eligible student would receive the grant amounts for which he or she is eligible under the terms of the authorizing legislation, and such amounts would not be subject to the uncertainties of the annual appropriations and regulatory processes.

Proponents contend that this proposed modification would guarantee both access and choice, and also point out that the maximum Pell Grant should be increased each year in order to reflect the increases in the cost of higher education. Under current law, when the maximum grant is raised above $1,900, the half cost formula increases to permit a minimum of 55 percent of cost to be covered. (The FY 1985 Pell Grant appropriation includes $3.325 billion for FY 1985 and assumes a maximum of $2,100 and a cost limitation of 60 percent.)

Those in opposition to the Pell Grant becoming an entitlement point to its potential cost. They contend that increasing the "uncontrollable" share of the Federal budget is inappropriate during a period of rising Federal deficits. (For H.R. 5240, the Congressional Budget Office estimated the entitlement provision could cost approximately $6-$8 billion in the first fiscal year of operation.)

Block Grant of Campus-Based Programs

To provide greater flexibility in the use of funds and to reduce the multiplicity of programs that must be administered by the Department of Education, States, and institutions, current campus-based programs could be merged into a

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6/ This option was included in H.R. 5240, the Higher Education Amendments of 1984 introduced in the 98th Congress by Representative Simon.

block grant. 7/ Possible candidates for the block grant program include the Supplemental Educational Opportunity Grant, the College Work-Study, and the National Direct Student Loan programs. These three programs could be combined and institutions could be guaranteed to receive an amount equal to what they had received previously for the three programs. Postsecondary institutions could use the amount of funding for student aid but would have the discretion to make grants, to extend or expand awards under the College Work-Study program, or to capitalize an institutionally-based loan program. The assumption is that the proposal will permit financial aid officers to decide whether a student is best served by a grant, loan, or work-study job and how much of each is appropriate.

Supporters of the block grant contend that the current combination of SEOG and National Direct Student Loans (NDSL) as campus-based and SSIG as separate is burdensome, plagued with extensive regulation, and allows too little institutional discretion.

Opponents of the block grant concept assert that each program is too complex to be combined with the others, that each program plays a distinct role and meets specific needs in the provision of student assistance, and that the administrative burden of a block grant would probably be more, not less.

Proportion of Cost

Rather than placing a "dollar" limit on the maximum grant that a student may receive, the limit could be a "percent" of the cost of education at the institution selected by the student. The impact of this option would be that

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7/ H.R. 5240 introduced in the 98th Congress included a proposal for block granting the campus-based programs.

students in similar situations would receive more funds if they were attending a high-cost institution. Advocates for this proposal suggest that the current limits discourage needy students from attending private institutions. Opponents stress that significant increases in funds will be required if eligible students attending a low-cost institution are to receive the current level of support, and also contend that whatever economic pressures are imposed on institutions (to limit increases in tuition and fees) by the current "dollar" limit would be relieved under a "percent" limit.

Grants to Students Studying Specific Areas

Eligibility for grants could be restricted to those students studying in certain areas, or indicating an intent to do so, that have been designated as national priorities. An alternative would be to retain open eligibility for grants, but give additional weight to those applicants indicating an intent to study in designated areas. Even though some eligible students may not have selected their major field of study when they submit their application, the program could be limited to students in specific fields in which national shortages exist or are predicted. The principal problem is in the reliability of projections of labor shortages.

Legislated Criteria for Satisfactory Academic Progress

Specific language outlining the criteria to be used in determining if a grant recipient is making satisfactory academic progress could be included in the Higher Education Act. Institutional administrators likely will oppose this action because of the differences among institutions and programs and the threat of Federal control over institutional policies. If postsecondary institutions are unable to agree upon the criteria and apply them in the awarding of grants to students, pressures likely will mount for an amendment to correct this perceived problem.

Merit-Based vs. Need-Based Grants

Another potential response to the problem of students making satisfactory academic progress would be to make merit or "outstanding academic achievement" a qualification for grant aid, in addition to need. The 98th Congress established the Federal Merit Scholarship Program (P.L. 98-558) that authorizes 1-year scholarships based on "outstanding academic achievement." These Federal Merit Scholarships will provide $1,500 annually. This program is limited, but has established a precedent for merit-based aid programs. FY 1986 is the first year in which appropriations are authorized for this program.

Some student assistance advocates contend that, if merit should become a factor in the allocation of the current need-based grants, such as Pell Grants, the entire focus of the program will be changed, and that those low-income students from disadvantaged backgrounds for whom the Pell Grant provided access to college could be eliminated from the program altogether. One alternative position is that merit and need can be combined into an index of merit and need that would provide equal weight for the current need index and for a merit index based on a combination of factors such as college admissions scores, high school grades, and teacher assessments. An additional option would be to allocate the funds solely on the basis of merit; this choice would be a dramatic shift from the traditional focus on increasing access and likely would reduce participation by poor and minority students.

SECTION 7
STUDENT LOAN PROGRAMS

The Higher Education Act of 1965 (HEA, P.L. 89-329, as amended) currently authorizes three programs that provide loans to students or parents to help meet the costs of postsecondary education. These three loan programs are authorized under title IV of the HEA and include Guaranteed Student Loans (GSLs), Auxiliary Loans to Assist Students (ALAS) which have both student and parent loan components, and National Direct Student Loans (NDSLs).

In the 1984-85 academic year, the total volume of new loans under these three HEA student loan programs will be approximately $8.5 billion to more than 3 million students. This $8.5 billion aggregate amount represents over half of the estimated $14 billion in total student aid available from all Federal sources for this year. 1/ In addition, this $8.5 billion loan total accounts for over 10 percent of the estimated $75 billion being expended by the Nation's postsecondary students in 1984-85 to meet their total educational costs.

Among the three HEA student loan programs, the GSL program is by far the largest. The estimated new loan volume for this program is approximately $7.5 billion for 1984-85 compared with about $600 million in new NDSLs and $400 million in new ALAS loans.

1/ In addition to the three HEA student loan programs, other major student aid programs included in this total are Pell Grants, College Work-Study, Supplemental Educational Opportunity Grants, State Student Incentive Grants, and veterans educational assistance.

The following paragraphs provide an overview of the structure, history, issues, and some possible legislative options for the 99th Congress regarding the GSL, ALAS, and NDSL student loan programs.

Subsidized borrowing by students and parents to help meet postsecondary education costs may be viewed as a compromise lying between the options of "grants and scholarships" or "income and assets" as the financing source, with certain characteristics of each of these other two sources.

Educational loans, like grants and scholarships, provide needed cash to meet tuition and other current postsecondary expenses from a source other than student or family current earnings or assets. Unlike grants or scholarships, however, educational loans must be repaid, which makes them similar to the use of income and assets to finance postsecondary expenses except that the income or assets that will be used to repay the loan debt are pledged from the borrower's future--rather than current--earnings and savings.

Traditionally, until the late 1950s, American students and their families used personal income and assets and, to a lesser extent, private and institutional grants and scholarships as the primary means to pay their share of college expenses. At that time, loans began to emerge as a third major approach to financing postsecondary education.

In the 1955-56 academic year, a U.S. Office of Education study identified a total of $26 million in institutional student loan funds available in all of the Nation's colleges and universities, most of which was used to make small, short term emergency loans. In 1956 and 1958 respectively, the States of Massachusetts and New York established the first State insured student loan programs for the purpose of making small denomination student loans available to State residents.

With the 1958 enactment of the National Defense Student Loan program, the nationwide structure for loan borrowing was initiated as a source for financing a postsecondary education. From a program that provided $50 million in student loans for the 1959-60 academic year, the National Defense Student Loan program grew to a program providing over $200 million in student loans by the 1965-66 academic year, which was also the first year of operation of the newly established GSL program.

GSL loan volume totalled $73 million in 1965-66, its first year of operation. By the 1973-74 academic year, however, GSL new loan volume had climbed to approximately $1.1 billion. In that year, the loan volume of the former National Defense Student Loan program, renamed the National Direct Student Loan Program, was at $440 million.

In the 1981-82 academic year, the first $95 million in loans were made to students and parents under the ALAS program, which was an expanded version of the program of Parent Loans for Undergraduate Students (PLUS), which had begun operation a year earlier. During this same academic year, new loan volume under the GSL program was $6.1 billion and under the NDSL program was $580 million.

Over the 25-year span since the first National Defense Education Loan was made in 1959, there has been growth in institutional and State loan programs, but nothing comparable to the annual aggregate total of loan volume growth under the Federal GSL, ALAS, and NDSL programs. For the 1984-85 academic year, for example, when aggregate borrowing under these three Federal loan programs is expected to total $8.5 billion, the amount of non-Federal, non-State, institutional student loans is estimated to be under $1 billion, while State-sponsored loan programs will lend an estimated $100 million.

In addition to the Federal GSL, ALAS, and NDSL programs, several other Federal student loan programs—primarily for students in the health professions—are authorized outside of the HEA. Altogether these non-HEA student loan programs (i.e., Health Education Assistance Loans, Nursing Student Loans, etc.) are estimated to be providing another $200 million in educational loan funds in 1984-85.

The GSL, ALAS, and NDSL student loan programs each provide loans for a different range of borrowers, and each operates in a somewhat different way. A more detailed description of the specific structure and purpose of each of these three loan program follows.

GUARANTEED STUDENT LOANS

The GSL program is authorized under title IV, part B of the HEA, and provides federally guaranteed and subsidized educational loans to eligible students at a current borrower's interest rate of 8 percent. 2/ GSL loan capital is provided by banks and other participating program lenders, not by the Federal Government. The GSL—and the much smaller, related ALAS—programs are also the only major Federal education programs that are considered to be "entitlement" programs, since the authorizing statutes require that the Congress provide sufficient appropriations each year to meet the various interest, insurance, and other financial obligations incurred on behalf of student and parent borrowers. 3/

2/ Students who have previously borrowed at either of the prior GSL interest rates of 7 percent or 9 percent receive new GSLs at such prior rates.

3/ The General Accounting Office (GAO) has defined "entitlements," in part, as "legislation that requires the payment of benefits (or entitlements) to any person or unit of government that meets the eligibility requirements established by such law. Authorizations for entitlements constitute a binding
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Undergraduate, graduate, and professional students may borrow under the GSL program, with annual borrowing limits of $2,500 and $5,000 and cumulative limits of $12,500 and $25,000, respectively, for undergraduates and graduates. Students must demonstrate financial need for a GSL if annual family income exceeds $30,000, and all borrowers must pay a 5 percent loan origination fee. Student borrowers make neither principal nor interest payments on student loans while in school, in the first 6 months after leaving school, and during periods of authorized deferment. After leaving school, a student usually has up to 10 years to repay a GSL.

While a student is in school, the Federal Government pays to lenders on a quarterly basis an "in school interest subsidy" that is calculated by using the borrower's interest rate (i.e., 7, 8, or 9 percent). Once a student leaves school (and a 6-month grace period), however, this in-school interest payment ceases, and the borrower becomes responsible for making both principal and fixed-rate interest payments. Throughout the life of a GSL, however, the Federal Government pays to lenders a second interest subsidy, termed the "special allowance," that varies quarterly in accordance with a formula based on the average 91-day Treasury bill interest rate. 4/

(continued) obligation on the part of the Federal Government, and eligible recipients have legal recourse if the obligation is not fulfilled. (GAO, A Glossary of Terms Used in the Federal Budget Process, 3rd ed., March 1981, p. 57).

4/ The "special allowance" is a Federal interest payment made quarterly to a GSL lender for that portion of the total, current interest yield on the loan after the borrower's "fixed" interest rate (currently either 7, 8, or 9 percent) is subtracted. The special allowance yield varies quarterly with the average bond equivalency rate of 91-day Treasury bills. Basically, the special allowance rate for a given quarter is determined by adding 3.5 percent to the average 91-day Treasury bill rate for the previous quarter, minus the applicable 7, 8, or 9 percent "fixed" borrower's interest rate.

The Federal Government also guarantees lenders against the loss of GSL principal resulting from borrower death, disability, bankruptcy, or default. In recent years, most GSLs have been directly insured against default by State or private non-profit guarantee agencies (GAs), which are established for this purpose within each State. In turn, GAs are reimbursed by the Federal Government for defaulted GSLs on which lender insurance claims have been paid, with the extent of this "reinsurance" payment dependent upon the overall GSL default record of the GA. The Federal Government also provides administrative payments to aid in the operation of GAs and loans to aid in the establishment of GA default reserve funds. GSLs that are not insured against default by GAs are directly insured, instead, by the Federal Government, and are termed "Federally Insured Student Loans" (FISLs).

In addition to GAs, a number of States have also established related, but separate, State student loan agencies (SSLAs) to facilitate the availability of GSL capital and, in some cases, to serve as GSL "lenders of last resort."

The final key participant in the GSL program is the Student Loan Marketing Association (Sallie Mae). Established by Federal legislation in 1972, Sallie Mae is a private corporation whose primary purpose is to provide liquidity to GSL lenders by: (1) purchasing GSLs and ALAS loans from lender portfolios; and (2) making "warehousing advances" (loans) to lenders using prior GSLs or ALAS loans as collateral. Sallie Mae also offers such other services as providing a secondary market for Health Education Assistance Loans (HEALs) and for non-insured student loans, such as those made by some colleges and universities from their own resources. With the prior approval of the Secretary of Education, Sallie Mae is also authorized to originate GSLs in cases where no other lenders are available. In addition, Sallie Mae may underwrite student loan revenue bonds issued by SSLAs, and carry out other credit activities that its board of directors finds necessary to support the credit needs of students (as discussed later, there has occasionally been some dispute over interpretation of this final authority).

Since 1981, Sallie Mae has raised its operating funds from the sale of public stock and the public issuance of debt, i.e., bonds. Between 1972 and 1981, however, Sallie Mae used $5 billion in long-term loans from the Federal Financing Bank as its primary source of operating funds. Sallie Mae's total assets have increased from $70 million in 1973 to $9.1 billion by the end of 1983, while its annual net income over this same period rose from under $.4 million to approximately $66 million.

Students have borrowed approximately $50 billion under the GSL program since its first year of operation in FY 1966. Since that time, over 25 million student loans have been made while aggregate Federal appropriations for the support of the GSL program--through FY 1985--have exceeded $20 billion. At present, the cumulative outstanding volume of GSL principal either in-repayment or in-school is about $35 billion, with approximately $15 billion in principal having been repaid to lenders over the years.

During FY 1984, approximately 3.2 million student loans were made resulting in about $7.5 billion in new loan borrowing, and an "average" new loan of approximately $2,300. Over 10,000 banks, savings and loans, State loan agencies, and credit unions participated as GSL lenders in FY 1984; however, the 200 largest program lenders made over half of the dollar volume of new GSLs.

Total Federal obligations to support GSL and Auxiliary Loan program activities in FY 1984 were an estimated $3.5 billion. 5/ Various program receipts,

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5/ Federal budget documents for the "Guaranteed Student Loans" appropriation account--which includes both the GSL and ALAS programs--do not provide (continued) reimbursements, and a large unobligated appropriation carry-over from FY 1983, however, provided about $1.2 billion in FY 1984 account financing, and reduced the amount of needed FY 1984 appropriations to approximately $2.3 billion.

ED survey data for first time, full-time, freshman, dependent student borrowers under the GSL program for FY 1982 indicated that:

--24 percent of students from families with incomes under $10,000 were GSL borrowers, compared with 14 percent 2 years earlier (i.e., FY 1980);

--56 percent of students from families with incomes between $10,000 and $29,999 were GSL borrowers, compared with 46 percent in FY 1980; and

--35 percent of students from families with incomes of $30,000 or more were GSL borrowers, compared with 45 percent in FY 1980.

The decrease in the proportion of GSL freshmen borrowers from families with incomes of $30,000 and above between these 2 years reflects, in part, the FY 1982 implementation of a financial need test for GSL borrowers whose family income exceeds this amount. Comparable data are not available for other types of GSL borrowers (i.e., second-time borrowers, independent students, sopohomores, etc.).

Although undergraduate (including vocational and community college) students do most of the borrowing under the GSL program, ED estimates that graduate and professional students annually account for about 20 percent of the number of new loans. This represents between 25 percent and 30 percent of the dollar volume of such new GSL borrowing.

(continued) detail for various budget expenditures or receipts by their specific program of origin. Rather, both GSL and ALAS expenditures and receipts are presented in a combined form.

AUXILIARY LOANS TO ASSIST STUDENTS

As with the GSL program, the ALAS program is also authorized under title IV, part B of the HEA, and currently provides loans to certain groups of students and parents at a somewhat higher borrower's interest rate of 12 percent. Like GSLs, ALAS loan capital is provided through banks and other participating program lenders and repayment of ALAS loan capital is federally guaranteed. ALAS loans differ most dramatically from GSLs, however, in that they receive fewer and smaller interest subsidies than such student loans.

Parents of dependent undergraduates, independent undergraduates, and graduate and professional students may borrow under the ALAS program. Annual and cumulative borrowing limits are respectively $3,000 and $15,000 for parent and graduate student borrowers, and $2,500 (minus the amount of any GSL borrowing in the same year) and $12,500 for independent undergraduate students. There is no financial need test for an ALAS loan, but there is also no in-school interest subsidy. As a result, student borrowers attending school full-time must begin making periodic interest payments on their ALAS loans within 60 days of loan disbursement, while all parent and student borrowers attending school less than full-time must begin both principal and interest payments within 60 days of disbursement. ALAS borrowers usually have up to 10 years to repay a loan once repayment of principal and interest begins.

As is the case with the GSL program, the Federal Government pays to ALAS lenders the "special allowance" interest subsidy; however, the Federal "cost" of this subsidy is less per dollar of loan volume under the ALAS program when compared with GSLs. This is because an ALAS special allowance is paid only when the special allowance formula results in an interest "yield" that is above the 12 percent or 14 percent borrower's interest rate, an amount charged earlier in the program, compared with the lower GSL borrower rates of 7, 8, or 9 percent.

Like GSLs, ALAS loans are guaranteed for lenders by the Federal Government against loss of principal due to borrower death, disability, or bankruptcy. In addition, either GAs or the Federal Government guarantee ALAS loans against borrower default.

The parent loan portion of the ALAS program began in early 1981 as Parent Loans for Undergraduate Students (PLUS). The PLUS loan legislation was amended in mid-1981 to include the current classes of student loans, and the name of the program was also changed to ALAS. Since its origins in FY 1981, students and parents have borrowed about $700 million under the ALAS program (including PLUS loans). Since FY 1981, about 300,000 ALAS loans have been made, with the majority of loans having been made to parents rather than students.

During FY 1984, approximately 125,000 ALAS loans were made to parents and students, resulting in about $300 million in new borrowing, for an average ALAS loan of around $2,400. Although there are not as many participating ALAS lenders as GSL lenders, students and parents in all States reportedly have access to the ALAS program.

Because Federal budget receipt, expenditure, and appropriation data for the ALAS program are undifferentiated from that for the GSL program under ED's "Guaranteed Student Loans" appropriation account, FY 1984 information on the cost of the ALAS program to the Federal Government is not readily available. The comparatively small size of the ALAS program, its sharply lower interest subsidy expenditures, and its recent origins all suggest, however, that the ALAS program contributed only marginally to the Federal obligations under the combined program.

NATIONAL DIRECT STUDENT LOANS

The NDSL program is authorized under title IV, part E of the HEA, and is the third of the three HEA-authorized student loan programs. The NDSL program provides postsecondary educational loans to eligible students at a current borrower's interest rate of 5 percent, substantially lower than under the GSL and ALAS programs. Unlike the GSL and ALAS programs which rely on private lender capital, NDSL loan capital is provided through a combination of financing from the Federal Government and participating postsecondary institutions.

Undergraduate, graduate and professional students who demonstrate financial need may qualify for an NDSL through the postsecondary institution that they attend. Eligible students may borrow as much as $3,000 annually, with cumulative loan limits of $6,000 for undergraduates and $12,000 for graduate and professional students. Within these overall limits, however, the exact amount of any student's NDSL award is ultimately determined by the financial aid office at the school that a student attends. Student borrowers make neither principal nor interest payments on NDSLs while in school, in the first 6 months after leaving school, and during periods of authorized deferment. After leaving school, a student usually has up to 10 years to repay a NDSL. In addition, certain types of public service, such as teaching in a designated elementary or secondary school that is located in a low-income area, may qualify a borrower for cancellation of part of an NDSL repayment obligation.

Among the conditions for their participation in the NDSL program, postsecondary institutions are required to match each $9 in Federal "capital contributions" with $1 of their own from non-Federal sources. NDSL principal and interest is repaid to the institution that originally provided the loan, and, under current law, these repayment proceeds become part of a "revolving fund" from which new NDSLs are made.

The combination of Federal and institutional capital as the principal source for NDSL borrowing marks a major difference between this program and the GSL and ALAS programs in which capital is provided through banks and other (typically commercial) lenders.

Since its origins as the National Defense Student Loan program in FY 1959, the NDSL program has made available in excess of $9 billion in educational loans for students. Over this 25-year span, more than 14 million NDSLs have been made, and the aggregate Federal appropriation has been about $5.8 billion.

The FY 1984 appropriation of $180.9 million for the NDSL program provided postsecondary institutions with $161.1 million in "Federal capital contributions" for new NDSLs, plus $19.8 million for institutional reimbursements resulting from public service loan cancellations. This $161.1 million in Federal capital contributions, when coupled with the required institutional match and over $500 million from revolving fund repayments, is expected to result in an estimated 880,000 NDSL student loans, averaging about $800 per loan, during the 1984-85 academic year.

ED data for dependent student borrowers under the NDSL program in FY 1982 indicated that the largest portion of NDSL student aid was going to students from families with annual incomes under $30,000.

LEGISLATIVE HISTORY

The legislative history of the GSL program begins in 1965, that for the ALAS program in 1980, and that for the NDSL program in 1958. The paragraphs that follow provide selected details from the legislative history of each of these three programs.

Guaranteed Student Loans

The GSL program was initially authorized under title IV, part B of P.L. 89-329, the Higher Education Act (HEA) of 1965. This initial program offered loans at a 6 percent rate of interest to student borrowers; lenders were guaranteed by the Federal Government against borrower default, death, disability, or bankruptcy. The maximum loan amount was $1,000 for undergraduate students and $1,500 for graduate or professional students, with aggregate limits on unpaid GSL principal of $5,000 for the former and $7,500 for the latter. (If these amounts had increased at a rate of inflation equivalent to that indicated by Personal Consumption Expenditures, the maximum loan amount for undergraduates would be $2,810, and for graduate or professional students would be $4,218. The aggregate loan limits on unpaid GSL principal would be $14,059 for undergraduates, and for graduate and professional students would be $21,088.)

The Federal Government also paid the interest on these loans while the students remained in school (the "in-school interest subsidy") for students whose family incomes were below $15,000. (In 1965, the median family income in the United States was $6,957, compared with $19,074 by 1981.) Students qualifying for the in-school interest subsidy also received a 3 percent Federal interest subsidy on the remaining unpaid principal once these loans went into repayment (thus effectively reducing their interest rate to 3 percent).

The respective reports of the House Committee on Education and Labor and of the Senate Committee on Labor and Public Welfare, which comprise part of the legislative history of P.L. 89-329, clearly indicated the intent was for the new GSL program to address the student aid needs of lower- and especially middle-income families.

In Senate Report No. 89-673, for example, the Senate Committee noted the need for and purpose of the proposed GSL program:

> The committee believes this program provides a final line of financial defense for families and students from all levels of income. The student in great need who is receiving a scholarship, a national defense student loan, and a job under work-study has this additional financial storm cellar available if emergencies arise. If he must give up a job for a time, if catastrophic illnesses occur in the family, this extra source of aid can enable him to continue without loss of his year of schooling. A family of mid-level income can utilize this source of assistance to survive similar mishaps without crippling interruption of the family life. The most essential feature is that in emergencies this credit resource can be depended on, a condition not usually known by low- and middle-income families.

Between 1965 and 1984, the GSL program was amended on over a dozen occasions, resulting in a number of significant program changes. In 1968, P.L. 90-460 increased the borrowers' GSL interest rate to 7 percent while P.L. 91-95 in 1969 established the "special allowance" payment to lenders to increase the supply of lender capital for the program.

In 1972, P.L. 92-318 raised the maximum annual GSL to $2,500 and the aggregate borrowing limit to $10,000. These 1972 amendments also established Sallie Mae as a "government-sponsored private corporation" to be financed by private capital to serve as a secondary market and warehousing facility for GSLs.

In 1974, P.L. 93-269 revised the requirement--also added by P.L. 92-318--that educational institutions determine "financial need" for a GSL. (Concern regarding the vagueness of this requirement had proven to be a deterrent to lender participation in the program.) These 1974 amendments changed the GSL student eligibility requirements regarding financial need as follows:

—by not requiring any determination of student financial need in the case of students whose family income was less than $15,000; and

—by requiring that the educational institution that a student planned to attend provide the lender with a determination of need for a GSL and recommendation of the loan amount in the case of students whose family income exceeded $15,000.

In 1976, P.L. 94-482 raised the family income ceiling for a GSL without proof of financial need to $25,000. The 1976 amendments also changed the way in which the special allowance was determined, increased the annual maximum GSL for a graduate or professional student to $5,000, and revised upward the aggregate GSL borrowing limits. The 1976 amendments increased incentives to States to establish GAs by increasing to 100 percent the amount of Federal reimbursement on defaulted GSLs in those States with low default rates, and by providing additional cost allowances to GAs for default collection efforts.

In 1978, Public Law 95-566, the Middle Income Student Assistance Act (MISAA), again amended borrower eligibility requirements for a GSL by removing the $25,000 income ceiling for a non-need tested GSL. The basic intent of the MISAA with respect to the GSL program was to provide renewed access to student loans for middle-income families whose higher incomes by the late 1970s had placed them beyond the range of the existing need test requirements, but who were apparently finding it difficult to meet higher education costs. MISAA was also viewed politically in 1978 as an alternative to tuition tax credits as a means of providing middle-income families with relief from higher education cost pressures.

In 1979, P.L. 96-49, the Higher Education Technical Amendments of 1979, removed the 4 percent ceiling on special allowance payments to lenders, an action that made GSLs a more attractive investment to financial institutions.

In 1980, P.L. 96-374, the Education Amendments of 1980, raised the borrower's interest rate on GSLs from 7 percent to 9 percent, for those students who had not previously borrowed at the lower rate. The 1980 amendments again raised the aggregate limits of GSL borrowing to $12,500 for undergraduates and $25,000 for graduate and professional students (including previous undergraduate borrowing). The 1980 amendments, however, reduced to 6 months (from the prior 9 or 12 months) the "grace" period after which an out-of-school student had to begin GSL repayment, and established a new program of parent loans (see the following ALAS legislative history discussion).

While the 1980 amendments included a number of provisions intended to directly or indirectly reduce Federal GSL expenditures (i.e., increases in the borrower's interest rate, reduction of the grace period, etc.), on balance these amendments continued the basically "expansionist" tradition of previous GSL amendments (especially those enacted in 1978). In 1981, however, this situation changed as the first session of the 97th Congress enacted a series of amendments that generally "contracted" the GSL program as part of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). These 1981 GSL amendments included:

--establishment of a financial "need test" for a student loan for students whose family income exceeded $30,000;

--initiation of a 5 percent loan origination fee on student loans, with the amount from this fee used to reduce the Federal GSL interest subsidies during the first several months of such loans; and

--revision of the parent loan program (see the following ALAS legislative history discussion).

In 1982, P.L. 97-301 amended the GSL repayment disclosure provisions and placed a termination date of August 1, 1983, on Sallie Mae's authority (first provided in 1980) to consolidate (and provide extended repayment terms for) GSL and NDSL loans.

In 1983, P.L. 98-79 contained several GSL clarifying amendments and extensions of certain existing provisions, including Sallie Mae's authority to consolidate student loans through November 1, 1983. Although a subsequent student loan consolidation measure passed the House in 1983 (H.R. 4350), Senate action on a comparable measure (S. 2491) was not completed before adjournment of the 98th Congress.

Auxiliary Loans to Assist Students

In 1980, P.L. 96-374 included within title IV, part B of the HEA a new program of Parent Loans for Undergraduate Students (PLUS). Under this program, qualifying parents were eligible to borrow up to $3,000 annually, up to a $15,000 aggregate limit, to help meet the college costs of a dependent son or daughter. The parent borrower's interest rate on a PLUS loan was 9 percent, with repayment of both principal and interest to begin within 60 days of loan disbursement. As in the case of GSLs, special allowance payments were authorized for PLUS loans, and repayment of principal was guaranteed by the Federal Government.

In 1981, P.L. 97-35 amended the PLUS legislation into its present ALAS program form by extending loan eligibility to independent undergraduates, and graduate and professional students, but at an increased borrower's interest rate of either 12 percent or 14 percent, depending upon the prior year's average percentage rate for 91-day Treasury bills. These 1981 amendments also changed the name of the PLUS program to Auxiliary Loans to Assist Students (ALAS).

National Direct Student Loans

The NDSL program is the oldest of the three HEA student loan programs, having been originally authorized as the National Defense Student Loan program under the National Defense Education Act of 1958 (P.L. 85-864). This initial program provided 3 percent loans to student borrowers, with maximum borrowing limits of $1,000 annually and $5,000 in the aggregate. Students had to demonstrate financial need for a loan, and in the selection of students special consideration was to be given students with superior academic backgrounds in mathematics, science, engineering, or a modern foreign language, or who intended to teach in an elementary or secondary school. In addition, National Defense Student Loan borrowers were required to file an affidavit disclaiming association with any organization believing in or teaching the overthrow of the government of the United States.

Under P.L. 85-864, loan repayment was to begin 1 year after a student left school and was to be completed within a 10-year period, although certain qualifying deferments could extend this repayment span, while up to 50 percent of the loan principal could be "forgiven" for teaching in public elementary or secondary schools. Participating postsecondary institutions were to match each $9 in Federal loan capital contributions with at least $1 from their own sources, although Federal institutional loans were also available for this required institutional matching.

Since 1958, the NDSL program legislation has been extended or amended, in whole or in part, on over 20 occasions. Over these years, for example, numerous changes have been made to the NDSL loan deferment and loan cancellation provisions. Among these various amendments, however, the following NDSL program changes might be considered among the more significant with respect to reshaping this program into its present form.

In 1962, P.L. 87-835 deleted the requirement for the NDSL student loyalty affidavit. Two years later, P.L. 88-665 raised the annual and aggregate loan ceilings for graduate borrowers to $2,500 and $10,000, respectively, while retaining the $1,000 annual and $5,000 aggregate limits for undergraduates. In addition, this legislation also revised the "special consideration" provisions of the National Defense Student Loan program by limiting the academic skills criteria only to students with superior academic backgrounds.

In 1968, as a result of P.L. 90-575, the special consideration provisions for students with superior academic backgrounds were repealed, while proprietary postsecondary institutions became eligible to participate in the National Defense Student Loan program for the first time.

In 1972, P.L. 92-318, the Education Amendments of 1972, changed the name of the 1958 student loan program to "National Direct Student Loans" (NDSL) after incorporating this program into the HEA. P.L. 92-318 also removed the annual loan ceilings from the NDSL program, substituting instead a ceiling of $2,500 for the first 2 years of college, $5,000 for the third through fourth years, and $10,000 for graduate and professional students.

In 1976, growing congressional concern with rising NDSL defaults resulted in provisions being included in P.L. 94-482 that required institutions to make semi-annual reports on their NDSL default rates.

In 1980, P.L. 96-374, the Education Amendments of 1980 included provisions increasing the borrower's interest rate on an NDSL from 3 percent to 4 percent and raising loan limits to their current levels of $3,000 for the first 2 years, $6,000 for the next 2, and $12,000 for graduate students. In addition, these 1980 amendments also included new credit reporting requirements in the case of NDSL defaulters.

Although the NDSL interest rate had remained unchanged at 3 percent for 22 years until it was increased to 4 percent in 1980, this new rate lasted only 1 year before P.L. 97-35 increased it to 5 percent in 1981.

APPROPRIATIONS

The degree to which the GSL is being used as a source of financing for higher education is illustrated by the growth of appropriations for the program from $9.5 million in FY 1966 to $3,079.5 million in FY 1985. Appropriations for each year are shown in table 7.1. The peak year for appropriations was FY 1983 at $3,100.5 million. The largest dollar increase in the program occurred between FY 1980 and FY 1981; the percent increase exceeded 50 percent in that year. This increase was attributable to an increase of over 60 percent in the new loan volume for FY 1981 over that for FY 1980 and also to increases in interest rates. In contrast to the higher education grant programs for students, Federal funds would be required for this program even if no new loans were made because of the "Federal guarantee" on the loans and the interest subsidy that continues for the life of the loan.

Funding for the NDSL can be controlled through the appropriations process. In essence, the Federal appropriations provide the loan capital that is available for borrowing; consequently, there is no ongoing Federal responsibility associated with the program except for limited repayment deferral and forgiveness features. As shown in table 7.1, NDSL increased tenfold between FY 1959 and FY 1972 to the level of $329.4 million. Between FY 1972 and FY 1980, the appropriations remained above $300 million; however, in FY 1981, appropriations dropped to just over $200 million and have remained in that range for the past few years. Of course, these amounts only reflect the new Federal appropriations for the program; these funds are allocated to institutions which then use the funds to make loans to students. As students repay previous loans, institutions place the funds in a revolving fund that is a source of loan capital for new loans.

TABLE 7.1. Appropriations for the Federal Student Loan Programs
(In millions of dollars)

Fiscal year	Guaranteed Student Loans	National Direct Student Loans
FY 1959	—	$31.0
FY 1960	—	40.7
FY 1961	—	58.4
FY 1962	—	75.2
FY 1963	—	91.4
FY 1964	—	122.3
FY 1965	—	146.7
FY 1966	$9.5 a/	181.6
FY 1967	43.0	192.0
FY 1968	40.0	193.4
FY 1969	74.9	193.4
FY 1970	73.2	195.5
FY 1971	161.2	243.0
FY 1972	209.4	316.6 b/
FY 1973	291.6	293.0 c/
FY 1974	398.7	298.0
FY 1975	594.2	329.4
FY 1976	807.8	332.0
FY 1977	351.3	323.2
FY 1978	530.2	325.7
FY 1979	957.5	328.9
FY 1980	1,609.3	300.8
FY 1981	2,535.2	200.8
FY 1982	3,073.8	193.4
FY 1983	3,100.5	193.4
FY 1984	2,840.7	180.9
FY 1985	3,079.5	215.0

a/ This was the initial year of funding for the Guaranteed Student Loan program.

b/ Actual FY 1972 appropriation was $316.6 million, but $23.6 million was mandated for use in FY 1973. The difference of $293.0 million was made available for use during FY 1972, and $286 million of this amount was for contribution to loan funds.

c/ Of this amount, $269.4 million was available for use in FY 1973, and $23.6 million was mandated for FY 1974.

Source: Department of Education.

EVALUATIONS

Numerous reports and studies on aspects of the GSL program have appeared since the origin of this program in 1965. In contrast, a limited number of the general student aid evaluations have addressed the more recent ALAS/PLUS program. In between these two extremes is the NDSL program, aspects of which have been the focus of a limited number of reports and studies since 1958.

The following paragraphs provide a brief summary of the principal GSL, ALAS, and NDSL reports and studies since 1975. In 1980, Congress authorized the creation of The National Commission on Student Financial Assistance to examine various aspects of the Federal student assistance programs; abstracts of the reports issued by the Commission are included in Appendix B of this report. However, none of these reports and studies provide a comprehensive program evaluation, but rather each focuses on specific parts of the overall GSL, ALAS, or NDSL programs.

Guaranteed Student Loans

The variety of aspects in the overall operation of the GSL program are illustrated by the specific subject topics of the various GSL reports and studies released over the past 10 years. The U.S. General Accounting Office (GAO), for example, has released at least four major reports on the GSL program since 1977, including:

--a 1977 report on the need to improve the financial management of GSL "Student Loan Insurance Fund" used to finance the program's loan insurance and reinsurance components; 6/

6/ U.S. General Accounting Office. Examination of Financial Operations for Fiscal Year 1975 Shows Need for Improvements in the Guaranteed Student Loan Program. February 10, 1977. Washington, 1977. 33 pages.

- —a second 1977 report discussing the problems and associated needed improvements in the Federal management of collections on defaulted GSLs; 7/
- —a 1981 report focused on the need for improving the Federal Government's GSL management information system in order to provide increased program accountability; and 8/
- —a 1984 report concerned with the secondary market activities of Sallie Mae. 9/

In its February 1977 report on the GSL student loan fund, GAO found that the then U.S. Office of Education (USOE) was not using its full authority to charge loan insurance premiums over the entire life of a loan, had not established criteria to recall default reserve advances from GAs that no longer need such loans, and was usually reporting only GSL financial data concerning insurance and defaults, but not payment amounts for interest subsidies or such other claims as those for death and disability. GAO also noted a number of additional inadequacies in USOE's GSL accounting system and the need to improve fiscal controls to correct such problems as duplicate interest payments to lenders.

In its August 1977 report, GAO shifted its focus from the GSL student loan insurance fund to USOE's collection of defaulted GSLs that were directly insured by the Federal Government (i.e., FISLs). In its report, GAO characterized USOE's FISL collection system as ". . . similar to a clogged pipeline,"

7/ U.S. General Accounting Office. Collection Efforts Not Keeping Pace with Growing Number of Defaulted Loans. August 11, 1977. Washington, 1977. 33 pages.

8/ U.S. General Accounting Office. The Guaranteed Student Loan Information System Needs a Thorough Redesign to Account for the Expenditure of Billions. September 24, 1981. Washington, 1981. 41 pages.

9/ U.S. General Accounting Office. Secondary Market Activities of the Student Loan Marketing Association. May 18, 1984. Washington, 1984. 27 pages.

with many defaulted loans entering, but with few leaving the system." 10/ GAO found that the Government had paid a total of $287 million in insurance claims to lenders as of September 1976, but had collected only $25 million from defaulters in return. GAO further noted that many of these defaulted loans were being retained at regional offices that were too understaffed to handle the caseload, and that the age of many defaulted loans would soon reach the age at which the courts could bar enforcement of collection actions.

The focus of GAO's 1981 report was on the effectiveness of ED's efforts to develop and implement an adequate GSL management information system. GAO found four major areas of deficiency in this system, including:

—the automatic reinsurance of GA insured loans regardless of whether the student was qualified to receive a GSL;

—lack of validation of GSL lender bills for interest subsidy payments;

—failure to rebill lenders who did not forward collected insurance premiums on FISL insured GSLs; and

—the inability of the GSL financial reporting system to report the program's financial status in accordance with the needs of ED's financial managers.

The 1984 GAO report on the GSL program compared the purposes and practices of Sallie Mae from its origins in 1972 through 1983. This report examined the various secondary market activities in which Sallie Mae was engaged during this period. GAO also compared Sallie Mae's increased profitability (during the period under study) with that of commercial banks and other government-sponsored secondary market agencies (i.e., Fannie Mae, Freddie Mac, etc.), concluding that Sallie Mae's profit margins were within the range experienced by these other financial agencies.

10/ General Accounting Office, Collection Efforts Not Keeping Pace, p. i.

Beyond the GAO reports on the GSL program, studies in 1977 provided information on GSL lenders and borrowers and on the GSL special allowance, and in 1979 on requirements for establishing guarantee agencies (1979). 11/ More recently, the National Commission on Student Financial Assistance (NCSFA, authorized from FY 1981 through FY 1983 under HEA, title IV, part F) issued final reports on several specific GSL program issues, including a "Study of Procedures to Eliminate the Guaranteed Student Loan In-School Interest Subsidy" (February 1983); a "Study of the Insurance Premium Charged to Borrowers under the Guaranteed Student Loan Program" (March 1983); and a "Study of the Special Allowance Formula of the Guaranteed Student Loan Program" (April 1983).

Among its conclusions, the NCSFA's report on the in-school interest subsidy found that elimination of this feature of the GSL program would result in a serious erosion of lender loan capital because of increased lender administrative workloads (from billing interest while students were in school) and reduced profitability. NCSFA's report on the GA insurance premium charged to GSL borrowers concluded, in part, that this term was misleading ("service fee" was suggested as an alternative) since most "insurance premium" funds were not actually used to pay default claims, but rather to cover GA administrative costs and that this fee should be reduced from the current maximum of 1 percent

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11/ RMC Research Corporation. A Survey of Lenders and Borrowers in the Guaranteed Student Loan Program. November 15, 1975. Bethesda, Md., 1975. 268 pages; Committee on the Process of Determining the Student Loan Special Allowances. Report to the Congress of the Committee on Process of Determining Student Loan Special Allowances. October 1, 1977. Washington, 1977. 72 p.; and Touche Ross & Co. Study of the Requirements for Forming State Guarantee Agencies. Washington, 1979. 118 pages.

of loan value to 1/2 percent. The final NCSFA report focused on the GSL special allowance, and resulted in three principal findings:

--that the special allowance formula was only one of several interrelated provisions that had successfully contributed to lender participation and an adequate supply of loan capital;

--that changes in any of these interrelated provisions would be viewed by lenders as increasing their risks, and hence, possibly lead to decreased lender participation; and

--that there was no evidence that lender profits from the current special allowance formula were excessive.

In addition to its own reports, NCSFA also commissioned scores of papers and studies on various student aid topics, including a number on GSL topics such as the cost of the GSL program to the Federal Government and to student borrowers, GSL defaults, and the credit policies of GSL lenders. 12/

As noted earlier, none of these reports attempts to provide a comprehensive overall evaluation of all the program's major aspects. Analysis of possible legislative changes in the program have been hindered by the lack of comprehensive, recent data on GSL borrowers (such as by income), lenders, and guarantors.

Auxiliary Loans to Assist Students (ALAS)

The ALAS program appears to have received little evaluative attention since beginning operation as PLUS in 1981. In part, this lack of evaluative focus may be the result of the relative newness of this program or its small

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12/ Touche Ross & Co. Study of the Cost and Flows of Capital in the Guaranteed Student Loan Program. March 1983. Washington, 1983; Touche Ross & Co. Study of the Cost to Borrowers of Participating in the Guaranteed Student Loan Program. March 1983. Washington, 1983; Applied Systems Institute, Inc. Study of the Guaranteed Student Loan Default Rates. August 2, 1982. Washington, 1982. 64 pages; and Shay, Robert P. Toward Improvement of Credit Policies on Guaranteed Student Loans. October 1, 1982. New York, 1982. 40 pages.

size when compared with either the GSL or NDSL programs. Nevertheless, at least one recent student aid report, a 1982 study by the College Board entitled "Financing Student Loans: The Search for Alternatives in the Face of Federal Contraction," did include some data on trends for this program (which were discussed earlier in this paper).

National Direct Student Loans

Like the GSL program, aspects of the NDSL program have received considerable attention over the past 10 years. Since 1977, at least five GAO reports have focused on the NDSL program, including:

—a 1977 report on the administration of the NDSL program by the Federal Government and participating institutions; 13/

—a 1978 report on the status of establishing a self-sustaining NDSL revolving fund at different types of postsecondary institutions; 14/

—a 1979 report on inconsistencies in awarding financial aid to students under the NDSL and three other student aid programs; 15/

—a second 1979 report on the need for improved NDSL cash management; 16/ and

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13/ U.S. General Accounting Office. The National Direct Student Loan Program Requires More Attention by the Office of Education and Participating Institutions. June 27, 1977. Washington, 1977. 18 pages.

14/ U.S. General Accounting Office. Status of the Office of Education's National Direct Student Loan Funds at Selected Postsecondary Institutions. May 2, 1978. Washington, 1978. 45 pages.

15/ U.S. General Accounting Office. Inconsistencies in Awarding Financial Aid to Students under Four Federal Programs. May 11, 1979. Washington, 1979. 66 pages.

16/ U.S. General Accounting Office. Better Cash Management Can Reduce the Cost of the National Direct Student Loan Program. November 27, 1979. Washington, 1979. 24 pages.

--a 1981 report on the need for ED to improve its collection of defaulted NDSLs. 17/

The 1977 GAO report on NDSL program administration found that participating institutions needed increased guidance and technical assistance from USOE to properly implement program requirements and changes. GAO also found that USOE needed to emphasize to schools their responsibility for collecting delinquent loans and to periodically review schools' administration of the NDSL program. GAO further recommended that procedures be established to determine what other types of Federal student aid were being received by NDSL recipients.

GAO's 1978 report on what was necessary for postsecondary institutions to establish a self-sustaining NDSL revolving fund found broad variation in the degree of diligence with which postsecondary schools attempted to collect on overdue accounts. Loan delinquency problems were also found to vary by type of institution, with 2-year public and proprietary schools seeming to have the greatest problems with high loan delinquency rates. GAO also noted, however, that the NDSL program legislation required schools to make loans to eligible students regardless of credit worthiness.

The first of two 1979 GAO reports that concerned the NDSL program focused on inconsistencies in awarding student aid under the NDSL, SEOG, CWS, and Basic Educational Opportunity Grant (now Pell Grant) programs. Among its findings, GAO noted that:

--methods used to distribute these Federal program funds to States and institutions resulted in a funds distribution inconsistent with student needs;

--differing need analysis systems used to help determine aid eligibility produced different results for the same student;

17/ U.S. General Accounting Office. Stronger Actions Needed to Recover $730 Million in Defaulted National Direct Student Loans. September 30, 1981. Washington, 1981. 30 pages.

- —institutional flexibility in establishing student budgets and awards under these programs resulted in students with similar resources and expenses receiving different amounts and types of aid;
- —some students remained in school and continued to receive student aid without making satisfactory progress; and
- —students did not always accurately report their financial status, while verification of student aid application information varied significantly among schools.

In its second 1979 NDSL report, GAO shifted its focus to USOE's cash management of the NDSL program, with the resultant finding that USOE annually was allocating more funds to some schools than they needed and that there were not adequate established procedures for the return of such excess allocations. GAO further noted that, as a result of these cash management practices, the Federal Treasury loss from unnecessary interest costs was up to $4 million annually.

The most recent GAO report on the NDSL program was a 1981 study of NDSL defaults. This report noted that throughout its history the NDSL program had had "higher" default rates (16.04 percent as of June 30, 1979) than the GSL program, with over $730 million in defaulted NDSLs through June 1979. GAO found that schools needed to improve their NDSL administration and collection practices, and also that ED, historically, had not given high priority to NDSL default collection. GAO also questioned whether ED's plan to replace most of its Federal student loan collection staff with private contractors would improve collection results on defaulted NDSL and GSL student loans.

As with the GSL and ALAS programs, there appears to be no recent, comprehensive evaluation of the NDSL program. A 1980 report on the management of the NDSL, College Work-Study, Supplemental Educational Opportunity Grant, and Basic Grant (i.e., Pell Grant) programs did provide data regarding which types of students were receiving NDSLs and certain other types of Federal student aid in the late 1970s. 18/ Among its findings, this study noted the influence of campus financial aid officers in making student awards under the NDSL, SEOG, and CWS programs. Awards were being made to a broader income range of students than under the Basic Grant (Pell Grant) program which was most heavily concentrated on lower-income students.

PROGRAM ISSUES

Both common and program-specific issues concern the three student loan programs authorized under the HEA. Common issues are those relating to the Federal cost of and the continuing need for three separate student loan programs, the appropriate level of student debt, student loan consolidation, and the question of loan defaults. Following the discussion of these common issues, some selected program-specific issues are examined.

Combined Federal Administrative Cost

In FY 1984 Federal appropriations for the GSL, ALAS, and NDSL programs totaled over $3.2 billion (including an $800 million GSL appropriation carryover from FY 1983), with all but about $200 million of this amount going for the support of the GSL and ALAS programs. In return for this Federal expenditure, these three programs provided more than $8.5 billion in loan aid to students, more than all other sources of Federal student aid combined. The question is raised, however, whether this level of Federal spending for student loan programs is too high, and, if so, what should be done about it. In this

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18/ Applied Management Sciences. Study of Program Management Procedures in the Campus Based and Basic Grant Programs, Final Report, Vol. II: Who Gets Financial Assistance, How Much, and Why? May 1980. Washington, 1980.

regard, some have raised the related issue of whether there is a continuing need for three separate student loan programs, or whether one or more--but usually NDSLs--should be terminated or consolidated along with such other Federal programs as SEOG or SSIG, or with another loan program. One recommendation has been the consolidation of the NDSL and ALAS programs into the GSL program. 19/

Level of Accumulated Debt

A second common issue affecting all three programs relates to the appropriate level of educational debt that students might safely incur before repayment difficulties occur. In the case of GSLs and NDSLs loan repayment and interest payments do not begin until a student leaves school, but interest payments for ALAS loans are payable while in school, thus posing a potential payment problem under this program while a student remains in school. After beginning repayment on either of these student loans, a student has up to 10 years to complete repayment, barring use of any authorized deferments. Is this 10-year repayment span sufficient for borrowers with high debt levels, however, particularly if they enter professions where the earning potential is relatively low in the initial years, and the primary return from one's investment in higher education generally occurs in the peak earning years 20 or more years after graduation?

19/ This was recommended by the President's Private Sector Survey on Cost Control (Grace Commission report).

Student Loan Consolidation

In considering the question of the appropriate level of student loan debt, a related issue is what should be the Federal policy in the HEA with respect to student loan consolidation. From 1981 through late 1983, Sallie Mae was authorized to consolidate a student's loan debt under the GSL, ALAS, and NDSL programs and to offer graduated and lengthened repayment terms of up to 20 years (compared with the normal 10-year repayment maximum under each program). In November 1983, however, Sallie Mae's consolidation authority expired when the Congress and the Administration were not able to reach agreement on the terms under which GAs and other GSL lenders might also make consolidation loans. In view of the continued increase in aggregate student loan debt levels, consideration of some type of student loan consolidation authority in the HEA is thought by some an important reauthorization priority.

Student Loan Defaults

Also related, in part, to the level of student loan debt is the issue of steps that might be taken to reduce the rate of student loan defaults and to increase collections on defaulted loans. Historically, the NDSL default rate has been higher than that for GSLs, with the ALAS program too new to provide any representative data. Most recently, the "gross" NDSL default rate (as of June 30, 1983) was 14.8 percent while the comparable GSL "gross" default rate (as of September 30, 1983) stood at 10.9 percent. These rates for both programs are below their levels of 5 years earlier, a fact that is attributable--in part--to increased Federal emphasis on default prevention. Federal efforts to collect on defaulted GSLs and NDSLs have also been stepped up over this period. Despite this progress regarding student defaults, some still consider the current default rates too high and Federal collections on defaulted loans too slow, and look for additional ways to amend the HEA to strengthen its provisions concerning defaults.

Cost of GSLs

The GSL program currently accounts for over half of all federally supported student aid, and is the largest Federal student aid program. Much of this growth has occurred over the past 6 years, during which time the annual volume of new GSLs rose from $2.9 billion in FY 1979 to $7.5 billion in FY 1984. With such rising volume have come increasing Federal expenditures resulting from GSL expenses that must be met due to the entitlement nature of this program. Thus, for example, Federal appropriations for the GSL program have increased from $957 million in FY 1979 to $2.3 billion for FY 1984, with $3.1 billion appropriated to date for FY 1985.

The recent past growth in the Federal cost of the GSL program and the prospect of a likely continuation of this trend combine to make the issue of Federal cost containment of GSLs a likely dominant concern during reauthorization of the HEA.

Role of Sallie Mae

Another GSL reauthorization issue that the 99th Congress may decide to consider concerns possible changes in the current role of Sallie Mae in supporting Federal student loan activities. This issue most immediately affects the future of the GSL program, but also could influence that of the ALAS and NDSL programs as well. As originally established in 1972, Sallie Mae's authority was primarily restricted to providing the two secondary market functions of purchasing GSLs from lender portfolios and providing "warehouse advances." Legislative amendments since 1972 have extended Sallie Mae's authority into other areas, such as providing a secondary market for such other Federal loans as HEALs and for non-Federal, non-insured loans; the purchase of State GA student loan revenue bonds, and, upon approval of the Secretary of Education, direct GSL lending in cases where other lender capital is inadequate.

In recent years, however, Sallie Mae's expanding role has been curtailed in several instances. A 1983 amendment terminated Sallie Mae's authority to consolidate GSL, ALAS and NDSL student loans. In 1984, Sallie Mae began action to acquire a savings and loan institution in North Carolina. Legal action questioning the legality of the proposed acquisition was filed in the U.S. District Court for the Eastern Division of North Carolina. This action appears to have halted Sallie Mae's attempt to acquire the savings and loan institution.

Restructuring of ALAS

As the most recent and the smallest of the three HEA student loan programs, the issue of what direction the ALAS program should take in the years ahead seems likely to arise during reauthorization of the HEA. In particular, some argue that the ALAS student loan component needs to be restructured to ease the problem of students' having to pay interest on their ALAS loans while in school; others suggest that eligibility for this program once again should be limited to parent borrowers.

Need for NDSL

The NDSL program is the oldest of the three HEA student loan programs, but some have raised the issue of whether this program has outlived its usefulness, considering the availability of GSL and ALAS loans. As noted earlier, the "Grace Commission" has recommended consolidating the NDSL and ALAS programs into the GSL program. In response, proponents note that NDSLs are intended primarily to help lower-income students for whom this program remains an important source of aid.

Other NDSL issues include those relating to the way in which this program's State and institutional formulas distribute aid and whether the current 5 percent interest rate should be increased.

PROGRAM OPTIONS

The 99th Congress faces three basic legislative options with respect to reauthorization and amendment of the GSL, ALAS, and NDSL program legislation. These three options are:

--to enact new amendments to one or more of these programs that would be intended to reduce Federal program spending, through such means as new restrictions on student eligibility, reductions in maximum loan levels, increases in the borrowers' interest rate, or the termination of one or more programs;

--to enact new amendments to one or more of these programs that would likely increase Federal program spending, through such means as expanded student eligibility or increased maximum loan amounts; and

--to make no basic changes to one or more of these programs, essentially continuing the status quo.

For each of the first two basic options, a multitude of specific approaches could be developed to accomplish the overall policy objective. The third approach essentially involves the simple extension of current legislation.

In the paragraphs that follow, some of the more specific selected options for revising each of these three student loan programs are discussed in greater detail but it should be kept in mind that this list does not include all possible options.

Guaranteed Student Loans

The continuing increase in the Federal cost of operating the GSL program is likely to make GSL Federal cost containment and reduction one of the principal subjects of debate during reauthorization of the HEA. If the goal is to reduce GSL spending, decisions likely will include how and to whom should program costs be shifted, and should the program savings be short-term (i.e., savings that begin to be realized in the first year of implementation) or long term (i.e., savings that begin to occur only in the out-years implementation).

For example, one possible GSL amendment that would result in a short-term, one-time "savings" is the recall of all outstanding Federal loan advances to GAs that have been used to establish and maintain GSL and ALAS default reserve funds. More numerous are the various possible GSL amendments that would result in both short-term, and on-going "savings," including:

- —extend a GSL financial need-test of all GSL applicants, or re-establish a family "income ceiling" as a condition of eligibility for GSL participation;
- —elminate or curtail current categories of GSL borrowers, such as graduate or professional students;
- —increase the current 5 percent GSL loan origination fee to some higher level; [20]

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[20] The "Grace Commission" recommended increasing this fee to 10 percent.

--reduce or eliminate the GSL in-school interest or special allowance subsidies;

--mandate the undertaking of possible "management initiatives to reduce default rates (the "Grace Commission" report lists a number of possibilities);

--require multiple or phased disbursement of loans by lenders, and payment of Federal interest subsidies to lenders only on amounts thusfar disbursed;

--reduce the current special allowance paid to lenders; and

--reduce the annual or cumulative GSL maximum loan amounts for borrowers.

In addition to such possible GSL changes that would begin generating "savings" in the short run, there are also various other program amendments that would result primarily in long-term "savings," including:

--an increase in the GSL borrowers fixed rate of interest from the current 8 percent;

--a change in the GSL borrower's interest rate from a single "fixed" rate for the life of a loan to either a "fixed graduated" rate that increases over time (i.e., 8 percent for the first 3 years, 10 percent for the next 3, etc.) or an "annually adjusted" rate tied to annual interest rate changes; or

--establishment of some accelerated loan repayment incentives for GSL borrowers.

A final set of GSL legislative options that might be viewed as maximizing both short- and long-term program savings would involve terminating the GSL program, and either substituting some other type of Federal student loan program (i.e., the existing ALAS program or some type of new program such as "income contingent" student loans) or having no new replacement Federal loan program.

Auxiliary Loans to Assist Students (ALAS)

The primary reauthorization policy issues with respect to the ALAS program include modification of the program to attract more student borrowers or return to only a parent loan program. If the desired option is that the ALAS program (with lower Federal costs than under the GSL program) should be made more attractive to student borrowers, amendments that might have this result include:

—permitting students to receive a Federal in-school interest subsidy while in school, but with repayment of this subsidy after leaving school;

—allowing lenders to "capitalize" all ALAS interest while a student is in school, with repayment of this capitalized amount occurring after the loan goes into repayment; or

—modifying current program requirements that result in ALAS lenders applying consumer loan standards regarding applicant borrowing capacity and credit worthiness as preconditions for ALAS approval.

If the goal is to return the ALAS program so that it is only a parent loan program, this action could be accomplished through an amendment that repeals current student eligibility for an ALAS loan.

National Direct Student Loans

Unlike the GSL and ALAS programs, the flow of new Federal funds for capital contributions to the NDSL program can be directly controlled. As a result, the issue of overall NDSL Federal program cost does not have the same degree of significance or complexity as it does in the case of GSLs. If the NDSL program is neither consolidated into a new program nor simply terminated, some possible amendments to modify the existing program might include:

—increasing the borrower's interest rate from the present 5 percent level to help generate more NDSL loan capital for institutions;

—modifying the current NDSL State and institutional allocation procedures so that student participation patterns from recent years have greater weight in the distribution of new loan capital than those from more distant years (as under current practice); or

—reduction or elimination of the NDSL loan cancellation provisions in order to reduce Federal expenditures for this program feature.

SECTION 8
COLLEGE WORK-STUDY PROGRAMS

Title IV, part C, of the Higher Education Act (HEA) authorizes the College Work-Study program (CWS). This program provides Federal assistance to promote part-time employment for students who need the earnings to help them meet college costs. The CWS is the third major financial aid alternative available to postsecondary students from the Federal Government and is commonly used in combination with grants and loans.

This section describes the current program with authorization and appropriation levels. The second portion of the paper contains a discussion of major phases in CWS's legislative history; this overview is followed by a summary of issues and options for the program.

CURRENT PROGRAM

CWS is a campus-based program under which Federal funds are channeled directly to participating institutions, which then select the recipients of the aid and choose the size of the award. Undergraduate, graduate, or professional students who are enrolled in or accepted for enrollment in a regular college program and who demonstrate financial need qualify for CWS assistance. Federal funds finance up to 80 percent of the costs of part-time employment. CWS provides a salary of at least minimum wage for the student, either at the institution itself, or at off-campus public or private nonprofit agencies or organizations. The institution bears the remaining share of the costs of the award and may pay such costs directly to the student in the form of tuition, room and board, and books. CWS awards must be renewed by students annually as part of a total financial aid package.

Section 488 of the HEA authorizes participating institutions to transfer up to 10 percent of their CWS allocations to Supplemental Educational Opportunity Grants (SEOGs) and vice versa when such redistribution would result in better financial aid packages. Part C authorizes institutions to use up to 10 percent of their CWS allocation or $25,000, whichever is less, to establish job location and development centers to assist all students in finding part-time employment. Institutions are additionally authorized to use up to 10 percent of their CWS administrative funds to finance "community service learning" work-study programs, providing public service work-study jobs benefitting low-income groups and individuals.

During the 1984-1985 academic year, an estimated 870,000 student awards will be made under the CWS program. Federal expenditures of about $504.6 million plus approximately $126.1 million in institutional matching 1/ will provide an estimated average award of about $750. Approximately 3,600 institutions currently participate in the program.

According to a recent survey of undergraduate Federal aid recipients during the academic year 1983-1984, the CWS program financed about 6 percent of the total costs of attending a public institution and 5 percent of the total costs of attending a private institution. For independent students, the corresponding statistics were 6 and 3 percent. 2/

1/ U.S. Department of Education estimate.

2/ Borrowing by Financial-Aid Recipients Is Increasing, 1983-1984 Survey Finds. The Chronicle of Higher Education, August 1, 1984. p. 16.

Currently, institutions have established about 400 job location and development centers. According to the Department of Education, community service learning programs have rarely been implemented.

Authorization levels for the CWS program have increased $200 million (32 percent) since FY 1980 to the FY 1985 level of $830 million; appropriations have increased $42.5 million (8 percent) to the FY 1985 level of $592.5 million. (See table 8-1.) Adjusted for inflation, the FY 1985 appropriation is actually 26 percent below the FY 1980 level. 3/ Participating institutions report that the annual need for CWS funds is about $1.3 billion.

Annually, CWS funds are allocated among States and U.S. territories on the basis of a statutory formula set forth in section 442 of the HEA, and among participating institutions under statutory requirements of section 446 of the HEA as well as under regulations. 4/ In brief, the CWS State allocation formula in section 442 of the HEA is as follows:

1. from the total CWS appropriation for any fiscal year, not to exceed 1 percent is to be allocated among Guam, American Samoa, the Trust Territory of the Pacific Islands, and the U.S. Virgin Islands, according to their respective needs, while an additional unspecified sum is to be "reserved" for residents of Guam, American Samoa, or the Trust Territory, who attend school outside these locations.

2. from the total remaining CWS appropriation for any fiscal year--

    (a) 90 percent is to be allotted among the States (including Puerto Rico and the District of Columbia) according to the following criteria:

3/ U.S. Library of Congress. Congressional Research Service. Impact of Budget Changes in Major Education Programs During the Reagan Administration. White Paper, by Paul Irwin, et al., August 20, 1984. Washington, 1984. p. 51.

4/ Federal Regulations for the CWS program are found in title 34, part 675 of the Code of Federal Regulations.

TABLE 8.1. College Work-Study Program
Authorizations and Appropriations FY 1965-FY 1985
(in thousands of dollars)

Fiscal year	Authorization a/	Appropriation b/
1965	c/	$55,710
1966	$129,000	99,123
1967	165,000	134,100
1968	200,000	139,900
1969	225,000	139,900
1970	275,000	152,460
1971	320,000	158,400 d/
1972	330,000	426,600 e/
1973	360,000	270,200
1974	390,000	270,200
1975	420,000	420,000
1976	420,000	390,000
1977	450,000	390,000
1978	570,000	435,000
1979	600,000	550,000
1980	630,000	550,000
1981	670,000	550,000
1982	550,000	528,000
1983	550,000	590,000
1984	550,000	555,000
1985	830,000	592,500 f/

a/ The authorizations for FY 1980, FY 1981, and FY 1985 were established by sec. 441(b) of the HEA, as amended by P.L. 94-482 and P.L. 96-374; the authorizations for FY 1982-84 were established by ceilings on HEA authorizations under sec. 516(d)(7) of P.L. 97-35 (OBRA). In FY 1983 and FY 1984, congressional appropriations exceeding the OBRA ceiling effectively established new concurring authorization levels of $590 million and $555 million respectively.

b/ Up until FY 1972, the CWS Fiscal Year appropriation was used to fund calendar year operations; with FY 1972, the program became forward-funded.

c/ The Economic Opportunity Act of 1964 authorized a lump sum of $412,500,000 for three youth programs under CWS.

d/ CWS funds in this year were $199.7 million including reprogrammed funds.

e/ Includes $244.6 million forward funding for FY 1973 plus a $25.6 million supplemental. A total of $237.4 million was available for use in FY 1972.

f/ Appropriation under P.L. 98-619, the Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act, 1985.

--one-third according to the ratio that each State's number of persons enrolled on a full-time basis in institutions of higher education is of the total number of such enrolled persons in all the States;

--one-third according to the ratio that each State's number of high school graduates is of the total number of such graduates in all the States; and

--one-third according to the ratio that each State's number of children under age 18 from families with annual incomes under $3,000 is of such total number of children in all the States.

(b) 10 percent is to be allocated according to criteria determined by the Secretary of Education, except that the Secretary is to allot to each State under this subsection sufficient additional sums to ensure that the total State allotment is at least equal to the FY 1972 State allotment, before making any discretionary, supplemental allotments.

In addition, sec. 442 provides authority for the Secretary of Education to re-allot that portion of any State's allocation which has not been granted to eligible postsecondary institutions within the State by the end of the fiscal year for which the allocation was appropriated.

The Urgent Supplemental Appropriations Act, 1982 (P.L. 97-216) was the first in a series of legislative actions to override the CWS State allocation formula. The Act required that CWS allocations to States be ratably reduced from the previous year's levels if the appropriation for the CWS program dropped below the FY 1981 level of $550 million. The provision was enacted to preclude a significant redistribution of funds to States under a reduced appropriation. The appropriation for CWS was $528 million for FY 1982 so this provision applied that fiscal year.

A provision of the Student Financial Assistance Technical Amendments Act of 1982 (P.L. 97-301) again overrode section 442 of the HEA. Section 11 of this law extended the requirement of the supplemental appropriations law for CWS allocations in FY 1983, FY 1984, and FY 1985. Although CWS appropriations exceeded $550 million for the years that would have been affected by the P.L. 97-301 provision, language in appropriations legislation for FY 1983, FY 1984, and FY 1985 required State allotments to be based on FY 1981 ratios instead of the section 442 formula. 5/

Section 446 of the HEA requires the Secretary of Education to determine the criteria that will be used to distribute CWS funds among participating institutions. Section 446 mandates that such criteria must assure that no institution will receive less in CWS funds than it received in FY 1979 unless student enrollments substantially decline.

Prior to FY 1979, a regional review panel assigned the shares of a State's CWS allocation that went to institutions in the State. This system was criticized as inequitable and overly complicated, and a study had found institutions were manipulating data to receive more funds. Then Commissioner of Education, Ernest Boyer appointed a panel to develop an alternative for the distribution of funds to institutions, and the panel recommended a formula-based allocation process based on certain indicators of need. To slow potentially radical shifts in institutional allotments when the formula was implemented, a conditional guarantee was provided for institutions equalling 90 percent of their 1979-1980 school year expenditures. 6/

5/ The appropriations legislation in question was P.L. 98-8, the Emergency Supplemental Appropriations Act, 1983 (for FY 1983 funds); P.L. 98-139, the Department of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 1984 (for FY 1984 funds); and, P.L. 98-619, the Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, 1985.

6/ U.S. Department of Education. Office of Postsecondary Education. A report on the State and institutional funding process for the campus-based student financial assistance programs. Prepared for the Labor, Health and Human Services, Education Subcommittee on Appropriations, U.S. Senate. Unpublished paper dated December 12, 1983. p. 3.

Regulations issued by the Secretary pursuant to section 446 7/ reflect this formula. They provide that each participating institution's allocation is the sum of awards under three component parts. The calculations for each part are independent and complex. The general elements of the allocation are as follows:

—A "conditional guarantee." This provides a "base" amount to ensure a minimum level of funding generally based upon funding for the institution during a prior year back to the 1979-1980 academic year.

—A "State increase." This provides an additional amount if the total "conditional guarantees" for all institutions in a State are less than the State's allocation.

—A "national increase." This provides an additional amount if the total CWS appropriation exceeds amounts allocated under the formulae for the conditional guarantees and the State increases.

For the 1984-1985 CWS award year, the FY 1984 appropriations law, P.L. 98-139, contained the requirement that the CWS appropriation be allocated in a manner to ensure that eligible postsecondary institutions that had not participated in the CWS program in FY 1979, but wanted to participate, would receive a 1984-1985 allocation. Apparently the statutory "hold-harmless" to the FY 1979 level for schools receiving CWS from that fiscal year has precluded new funding for institutions in some States.

LEGISLATIVE HISTORY

The College Work-Study program originated in the Great Society legislation of the mid-1960s. Title I, part C, of the Economic Opportunity Act of 1964, P.L. 88-452, authorized the Director of the Office of Economic Opportunity (OEO) to make grants to institutions of higher education to assist in the operation of work-study programs for low-income students.

7/ 34 CFR 675.5-675.8.

The CWS program was authorized by the Economic Opportunity Act through FY 1967 with an initial authorization level of $412.5 million for FY 1965 and "such sums as are necessary" for the succeeding 2 fiscal years. The provisions of the law prescribing program operations were substantially similar to current law with the following major exceptions:

—the territorial set-aside under the State-level formula was 2 percent and was to include funds for Puerto Rico;

—the total remaining CWS appropriation was distributed among States on the basis of the "three-thirds" formula;

—no funds were allocated on a discretionary basis;

—there was no hold-harmless;

—the institutional match was 90 percent for the first 2 program years and 75 percent thereafter; and

—there was no provision for transferring money to grants or using the funds for other programs such as the job location and development program, and the community-service learning program.

The Higher Education Amendments of 1968, P.L. 90-575, transferred the CWS program to title IV, part C of the Higher Education Act, and extended the program through FY 1971. These amendments also changed the matching provisions to require a 20 percent non-Federal contribution and extended institutional eligibility for funding to area vocational schools and proprietary institutions of higher education.

In 1972, P.L. 92-318, the Education Amendments of 1972, extended the CWS program through FY 1975 with a maximum annual authorization level of $420 million. This law amended the State allotment formula reserving 10 percent for a discretionary fund, effectively establishing the formula in its present form. Another major provision of the 1972 amendments created a separate work-study program for part-time student employment in community service. This program was primarily aimed at the employment of students who were veterans who served in Indochina or Korea after August 5, 1964. The community service work-study program funds were to be spent through contracts with public or private non-profit agencies, and the program had a separate authorization through FY 1975 at the maximum level of $50 million.

The 1972 amendments to the CWS program also changed its "purpose" statement to refer to serving students "with great financial need." This amendment reflected Congress' interest in assuring that individual need rather than an inflexible income standard be the basis for student assistance programs. 8/

In 1975, the Emergency Technical Provisions Act (P.L. 94-43) amended the HEA to authorize the Commissioner of Education to reallocate an institution's unused CWS funds to other institutions in the same State through the fiscal year succeeding the year for which the funds were appropriated.

Authority for job location and development projects to be funded with CWS funds was added to the HEA in the Education Amendments of 1976 (P.L. 94-482). The House version of these amendments would have terminated the authorization for the community service learning program at the same time (the program was never funded) but this program was retained in the Senate and final versions of the legislation.

P.L. 94-482 also significantly increased authorizations for the CWS program from $420 million for FY 1976 and the transition period to $720 million for FY 1982, the last year of the authority. (A ceiling of $550 million on FY 1984 authorizations was later enacted in P.L. 97-35.) According to the House report on the legislation, this was justified by the "wide acceptance and support" of the program. The 1976 amendments added provisions precluding

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8/ See, generally. U.S. Congress. House. Committee on Education and Labor. Higher Education Act of 1971. Report to Accompany H.R. 7248. House Report No. 92-554, 92d Cong. 1st Sess. October 8, 1971. Washington, U.S. Govt. Print. Off., 1971. p. 20-22.

institutions from terminating work-study employment for a student mid-semester when such student is earning additional income that puts him or her beyond the need threshold; and directing institutions to seek to make part-time employment reasonably available to all students, to the extent of available CWS funds.

The last major amendments to the CWS program were made by the Education Amendments of 1980, P.L. 96-374, which extended the CWS program through FY 1985. Significant provisions of these amendments:

--added a hold-harmless to the requirements for institutional allotments, requiring institutions to have CWS allotments at least equal to the CWS funds they used in FY 1979;

--substituted the institutional reallotment provision enacted in P.L. 94-43 with authority for an institution to carry over into the next fiscal year up to 10 percent of a fiscal year's allocation;

--added an authorization for postsecondary institutions to use up to 10 percent of any fiscal year's CWS allotment for student awards to be used during the academic year preceding the year for which the appropriation was made;

--authorized institutions to use up to $25,000 or up to 10 percent of their allocations, whichever is less, for a job location and development center;

--reduced the share of the territories' allocation to 1 percent from 2 percent and for the first time included Puerto Rico as a State for allocation purposes;

--created a new community service learning work-study program to be funded with up to 10 percent of an institution's administrative monies; and

--required CWS employment to pay at least the minimum wage.

The conferees on the 1980 amendments cited inequities in the distribution of CWS funds among institutions under the formula that had been devised by the Department of Education as the justification for the hold-harmless to the FY 1979 funds. They stated,

> In taking this action, the conferees urge the Department of Education to review that formula so that all institutions are not being held to the same national standards. For instance, some institutions,

> such as Berea College, wish to emphasize work-study programs more than grant or loan programs. Any formula for the distribution for all these funds should respect such local decisions. 9/

As previously mentioned, a provision of the Student Financial Assistance Technical Amendments Act (P.L. 97-301) would have affected the distribution of allotments of CWS funds to States if the appropriation for the program during FY 1983, FY 1984, and FY 1985 went below the FY 1981 level of $550 million. While this provision never took effect because appropriations for the program for these fiscal years were above the FY 1981 level, appropriations legislation effectively required the same thing for program increases: that each State receive the same proportionate share of total funds that it received in FY 1981.

PROGRAM ISSUES

The principal issues related to this program are the relative merits of an equitable allocation system, different positions concerning institutional flexibility, and availability of aid to students attending proprietory schools. A brief discussion of each of these issues follows.

Equitable Allocation System

The equitable distribution of College Work-Study program funds among States and institutions has been a major and continuing concern. An unresolved issue is how best to determine an institution's need for CWS funds and allocate the monies accordingly. A related concern is how to account for

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9/ U.S. Congress. Conference Committee. Higher Education Extension and Revision. Conference Report to Accompany H.R. 5192. House Report No. 96-1337, 96th Cong., 2d Sess. Washington, U.S. Govt. Print. Off., 1980. p. 176.

changes in the relative need of an institution for CWS funds while preventing disruptive annual shifts in an institution's allocation.

The recent history of fund distribution under the CWS program illustrates the dominance of the allocation issue. Since FY 1983, appropriations legislation has superceded the CWS statutory formula for the statewide distribution of funds; appropriations language has also overriden, to a certain degree, the institutional hold-harmless to FY 1979 expenditures.

At the request of the Senate Appropriations Committee, the Department of Education examined the State and institutional allocation formulas under all of the campus-based programs, including the CWS program. In its report, the Department concluded that,

> . . . the main student eligibility criterion for a campus-based award is financial need, yet the two principal factors which control the distribution of funds in these programs, State allotments and institutional conditional guarantees are minimally associated with this concept. Current allocation procedures emphasize (in SEOG and CWS) fiscal year 1979 program expenditures through statutory minimum institutional funding levels. However, the 1979-1980 distribution itself was largely governed by conditional guarantees--conditional guarantees based on a prior year's expenditures. Thus the current allocations process remains linked to the old panel review method 10/

The Department report went on to point out that the State and institutional formulas do not necessarily reflect appropriate objectives for the campus-based programs today. It cited the diminishing role of the CWS program with the advent of Pell Grants. 11/

In considering the FY 1985 appropriation for the CWS program, the Senate Appropriations Committee called upon the authorization process to resolve the "severe discrepancies" it perceived in the allocations of campus-based aid, and directed the Department of Education to submit bill language to the proper

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10/ See footnote number 6.

11/ Ibid.

authorizing committees of the Congress to correct these discrepancies before December 1, 1984. 12/ The Department of Education had not submitted any bill language as of January 10, 1985.

Institutional Flexibility

Another issue of concern related to the CWS program is the relative flexibility afforded institutions in mixing CWS monies with other campus-based aid. Students have different needs for assistance and institutions have varied priorities: this has justified the flexibility in combining work-study and grant monies. Currently, up to 10 percent of CWS funds may be transferred by the institution to Supplemental Education Opportunity Grants and vice versa. Some believe that this percentage should be increased.

Proprietary School Participation

CWS aid for students at proprietary schools has also been mentioned as an issue. Students enrolled in these vocationally-oriented schools tend to be poorer and older than students in traditional colleges and universities and students in proprietary schools often have limited access to student aid programs. Eligibility of these students for the CWS program is restricted because the schools, as for-profit institutions, are precluded by law from providing CWS-funded jobs. 13/

12/ U.S. Congress. Senate. Committee on Appropriations. Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriation Bill, 1985. Report to Accompany S. 2836, 98th Cong., 2d Sess. June 29, 1984. Washington, U.S. Govt. Print. Off., 1984. p. 172-173.

13/ Congress Needs Better Student Aid Information, Aide Says. Higher Education Daily, v. 12, July 23, 1984. p. 2.

PROGRAM OPTIONS

A change in the formula for the distribution of College Work-Study funds may be a focus of concern during the HEA reauthorization. Possible options include: (1) an institutional allotment formula based on such factors as changes from the prior year in level of funding, number of students, and level of appropriation; (2) a State allocation formula to accommodate population shifts; and (3) inclusion of CWS in a student consolidation package.

Institutional Allotment

The concept of an institutional allotment formula for the CWS program was proposed in H.R. 5240 introduced in the 98th Congress by Representative Paul Simon, Chairman of the House Subcommittee on Postsecondary Education. This bill would have eliminated allotments to States under the CWS program and established an institutional allotment formula only, based on four factors:

—the allocation to the institution the previous year;

—the percent increase or decrease in the number of eligible students at the institution;

—the percent increase or decrease in the average size of Pell Grant awards at the institution; and

—the percent increase or decrease in appropriations for the program.

Under the proposal there would be a 90 percent hold-harmless to the previous year's allocation. In arguing for eliminating the State allotments, Representative Simon stated that population shifts among States over the last decade had made the State component of the formula unworkable, i.e., States with significant increases in student enrollments were not receiving concomitant increases in CWS funds.

State Allocation Formula

Another option would be to create a State allocation formula to accommodate population shifts, and eliminate an institution-based formula. This would return the CWS program to the original allocation process, i.e., a State allocation formula with some discretionary mechanism to determine allocations to institutions within States. It could be argued that this approach might better accommodate varying needs of different schools. However, the same problems that led to an institution-based formula might reoccur.

Any change in the statutory formula implies a redistribution of funds to States and to institutions that may result in program disruption. Increased program appropriations could serve to lessen the disruptive effects.

Student Aid Consolidation

A third option is illustrated by the Reagan Administration's FY 1985 budget request for a student aid consolidation package. The CWS program was expanded considerably, i.e., funding would have been increased by over 50 percent and the number of students served would have increased by 40 percent. The Administration also proposed that the flexibility for CWS funds to be used as grants be significantly increased to 50 percent of the institution's allocation. Also, institutions would be authorized to use up to $100,000 of their CWS allocation for Job Location and Development Centers, for Cooperative Education and adult literacy programs. The intent of this provision was to increase the choices available to institutions to provide student employment assistance.

The Administration's proposal to expand the CWS program is consistent with the emphasis on self-reliance in student assistance programs. Under this approach, students could use CWS to meet their maximum share of their educational expenses from their own sources before they would be eligible for Pell Grants.

SECTION 9
OVERVIEW AND GENERAL ISSUES ON AID TO INSTITUTIONS

Aid to institutions is a relatively limited, but a continuing, element of Federal assistance to higher education. Institutional aid programs that are currently funded are described in this part. Section 10 examines the aid programs, including aid to historically black colleges and universities, authorized under title III of the Higher Education Act of 1965 (HEA). Section 11 describes the grant programs related to college libraries authorized under title II of the HEA. Section 12 analyzes aid for the construction of facilities and other capital expenditures authorized under title VII of the HEA, title IV of the Housing Act of 1950, and several other Acts.

The continuing challenge in institutional aid has been to develop programs that address national priorities, and to do so with funds that represent only a small part of the total revenues of institutions of higher education. Institutional eligibility, authorized activities, types of assistance, and program termination have been major issues related to institutional aid. Under title III, these objectives are attempted by restricting the types of institutions eligible for aid (developing institutions, historically black colleges and universities, institutions with special needs) and the types of authorized activities (academic quality, institutional management, fiscal stability). Under title II, eligible activities are limited to library development, training, and research and demonstration activities; the Reagan Administration has proposed the termination of funding for these programs. Under title VII and related authorizations, construction assistance is generally restricted to institutions with unusual enrollment increases with resultant shortages of facilities. Federal spending has also been limited under title VII by the provision of assistance through loans rather than grants, and interest subsidies rather than direct loans. A prohibition on the use of Federal funds for new contruction loans has been proposed by the Reagan Administration.

Legislative options for institutional aid programs are discussed in detail in the following sections. The principal options available for possible consideration during the reauthorization of the HEA include program termination, additional restrictions on institutional eligibility (including more rigorous institutional "needs" tests), expansion of funding authority to meet national priorities (with a possible redefinition of such priorities), and the provision of Federal technical assistance, such as the funding of research and demonstration projects or the collection of information related to institutional needs.

SECTION 10
INSTITUTIONAL AID

Title III (Institutional Aid) of the Higher Education Act is a paradox. Since its inception in 1965, the title has been the subject of many negative evaluations, and extensive regulative and legislative revisions attempting to address the findings of those evaluations. As a result, for nearly all of its 20 years of existence, the title's statutory authority has been in flux. Nevertheless, the annual appropriations for title III have either grown or remained stable from 1 year to the next in all but 1 of those 20 years. Indeed, the last 4 years of Federal budgetary restraint have not affected the title; its FY 1985 appropriation is 18 percent greater than its FY 1981 level.

The resolution of this paradox may be found in two facets of the title. It is the only Higher Education Act title providing direct assistance to institutions of higher education to strengthen their core academic and administrative functions. This aspect of the title alone might be sufficient to make it a focus of congressional attention. However, in addition, title III provides perhaps 1/3 or more of its annual appropriation to historically black colleges and universities, thus acting, in the eyes of one analyst, as a "Federal assistance lifeline" for black colleges. 1/ The degree to which black colleges should be the principal recipients of funds under the program has continued as an issue through the life of the program. This was illustrated during the Reagan and Carter Administrations when action was taken to direct

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1/ Thomas, William V. Plight of America's Black Colleges. Editorial Research Reports. January 23, 1981. p. 56.

Federal funds to historically black colleges; title III has been one of the primary programs used to accomplish this goal. 2/

This chapter will outline the current structure of the four specific programs authorized by title III; review the legislative and regulatory history and the findings of major evaluations; provide selected program data, including funding levels; and conclude with an analysis of issues and options confronting the title during its reauthorization consideration.

CURRENT PROGRAMS 3/

General Provisions for All Programs

Title III currently authorizes funding for four programs:

Part A--Strengthening Institutions;

Part B--Aid to Institutions with Special Needs;

Part C--Challenge Grants; and

Part D--Endowment Grants.

The award cycle for each of these programs is in two stages. An institution of higher education first must be designated an eligible institution. It can then submit a grant application which, in turn, must be reviewed and evaluated by the Secretary of Education.

2/ See Executive Order 12320 issued on September 14, 1981 by President Reagan to establish an initiative to increase Federal funding of these colleges. A similar Order, 12232, was issued on August 8, 1980 by President Carter.

3/ These descriptions are drawn from the authorizing statute and program regulations (34 CFR 624-628).

To be eligible for funding, an institution must:

1. provide a legally authorized program for which a bachelor's degree is awarded, or be a junior or community college;
2. be accredited by, or be making reasonable progress toward accreditation by, a nationally recognized accrediting agency approved by the Secretary;
3. have met requirements 1 and 2 for 5 years (see discussion below for waiver provisions); and
4. garner at least the "threshold" level of points under the relevant program's eligibility formula (described below).

In addition to the above requirements, an eligible junior or community college must:

1. admit as regular students individuals who are beyond the age of compulsory school attendance and who have the ability to benefit from the institution's programs;
2. not award a bachelor's degree; and
3. provide a program of not less than 2 years, fully acceptable toward a bachelor's degree, or offer a program in engineering, mathematics, physical sciences, or biological sciences preparing students for semi-professional work in those fields.

A further requirement is that eligible institutions must be either public or non-profit private institutions.

The 5-year accreditation requirements may be waived by the Secretary for institutions located on or near an American Indian reservation, or a substantial population of American Indians, if the action would "substantially" increase the educational opportunities of this group. The Secretary may also waive the 5-year requirement whenever such action would "substantially" increase the educational opportunities of Spanish-speaking people, of individuals in rural areas largely unserved by postsecondary education, of low-income individuals, or if it benefits the institutions that have "traditionally served substantial numbers of black students."

Applications

Institutions eligible for funding under title III are eligible for a waiver of any matching requirement under selected titles of the Higher Education Act, including the title authorizing the major student aid programs.

The grant application from an eligible institution must include a comprehensive development plan to provide for institutional self-sufficiency; policies and procedures to ensure that program funds will supplement available institutional funds; policies and procedures for evaluating the funded activities; and proper fiscal control and accounting procedures.

The first step in selecting grant recipients involves a panel of readers appointed by the Secretary of Education. In selecting the panel, the Secretary is to ensure that no readers have conflicts of interest related to the applications that they review. The Secretary is also charged with the responsibility of providing the readers with a thorough briefing as to the kinds of activities allowable under each program, and the factors to be considered in evaluating applications. This group reviews and rates each application, and submits its rankings and recommendations to the Secretary who makes the final decisions as to grant recipients. By June 30 of each year, the Secretary is required to notify each applicant of the scores and recommendations given its application by readers, and the reasons the Secretary awarded or did not award funds to the institution and any changes made in the readers' recommendations.

Authorizations

The Education Amendments of 1980 contain authorizations for parts A, B, and C of title III. The funds for parts A and B are in a single authorization, but are to be divided evenly between the two parts. Authorizations for the three parts are shown in the following chart:

	Parts A and B	Part C Challenge Grants
FY 1982	$175,000,000	$25,000,000
FY 1983	185,000,000	35,000,000
FY 1984	200,000,000	45,000,000
FY 1985	220,000,000	50,000,000

For Endowment Grants, the Challenge Grant Amendments of 1983 (P.L. 98-95) provided that 20 percent of the FY 1984 appropriation for Challenge Grants was to be available for Endowment Grants and 100 percent of the FY 1985 amount. In addition, P.L. 98-95 provided that the Secretary could reserve, for making Endowment Grants, those amounts in effect freed up by the matching requirement in the third through fifth years of the Special Needs grants (see discussion below of these grants). In addition, P.L. 98-312 amended title III to permit the Secretary to use those portions of the freed-up Special Needs funding that would be necessary to honor the multi-year commitments made to Challenge Grant recipients prior to October 1, 1983.

The Omnibus Budget Reconciliation Act of 1981 (OBRA), P.L. 97-35, capped the total FY 1982, FY 1983, and FY 1984 annual authorized appropriation level for title III at $129.6 million, and in its conference report (House Rept. No. 97-208) limited the total authorized appropriation for parts A and B to $120 million in each of those years. As is revealed in table 10.1 below, title III funding exceeded the OBRA ceilings in each of those years.

Part A—Strengthening Institutions

The Strengthening Institutions program provides assistance for improving the academic quality, institutional management, and fiscal stability of eligible institutions. In allocating funds, special consideration is to be given to:

1. faculty development;
2. institutional management;
3. development and improvement of academic programs;
4. acquisition of equipment to strengthen financial management and academic programs;
5. joint use of facilities; and
6. student services.

The Secretary may fund cooperative arrangements among eligible institutions for these authorized activities; however, a grantee may not undertake any of these activities if the action is inconsistent with a State plan for higher education desegregation affecting the grantee.

A complex formula is used in determining the eligibility for funds under the Strengthening Institutions program. An applicant institution's performance is evaluated on three eligibility criteria and the rankings are compared with the estimated performance of higher education institutions of the same type and control. The applicant accumulates points depending upon its relative performance on each of the eligibility criteria. The eligibility formula ranks institutions according to the following criteria (the highest number of points possible for each is listed in parentheses):

1. The number of Pell Grant recipients divided by the number of full-time equivalent (FTE) undergraduate students (100 points). The larger this ratio is, in general, the greater the number of points awarded.
2. The total Pell Grant dollars awarded to students at each institution divided by the number of Pell Grant recipients (100 points). The larger this ratio is, in general, the greater the number of points awarded.
3. The total educational and general expenditures of the institution divided by the FTE undergraduate enrollment and 2.5 times the total FTE graduate and professional enrollment (if any) (100 points). The smaller this ratio is, in general, the greater the

number of points awarded. Under certain circumstances, this criterion can be waived (see discussion below).

The Secretary establishes eligibility threshold levels, i.e., the minimum number of points that an applicant must receive to be eligible to apply for title III assistance. The statute permits the Secretary to waive the educational and general expenditures criterion for an institution able to demonstrate that those factors adversely affect the showing of the institution on this criterion, provided that an institution's eligibility is consistent with the purposes of the program. The threshold levels for the Strengthening Institutions program for the distribution of FY 1985 funds are: 4/

Type of institution	All factors	If educational and general expenditures are waived
2-year public	146	97
2-year private	137	91
4-year public	185	123
4-year private	196	131

If an institution qualifies under this formula, it may then apply for one of three different kinds of Strengthening Institutions grants: renewable grants running for up to 3 years, nonrenewable 4 to 7 year grants, and 1-year planning grants. An institution that has received a Challenge Grant is ineligible to receive a renewable Strengthening Institutions grant. Receipt of a renewable Strengthening Institutions grant renders an institution ineligible in that same year for a nonrenewable Strengthening Institutions grant. Under the provisions of the statute, an institution that receives a nonrenewable Strengthening Institutions grant is ineligible for additional title III assistance, except for Challenge and Endowment Grants; however, no new Challenge

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4/ These are the same thresholds used to determine eligibility for FY 1984 funds. In addition, the Secretary designated July, 1981-June 30, 1982 as the base year (institutions are compared using data for that period) for FY 1985 funds, the same base year used for FY 1984 funds, see Federal Register, vol. 49, September 28, 1984. pp. 38331-38341.

Grants are being made. At least 25 percent of the funding for the Strengthening Institutions program must be awarded as nonrenewable grants, and at least 24 percent of the program's funds must be awarded to junior or community colleges.

Part B--Aid to Institutions with Special Needs

The Special Needs program provides short-term assistance for improving the planning, management, and fiscal capabilities of "special needs" institutions (i.e., those meeting the eligibility requirements for the program). This program differs from the Strengthening Institutions program primarily in the eligibility criteria and the duration of the grants. The authorized uses of this program's funds include the ones listed earlier for the Strengthening Institutions program; however, the authorizing statute does not require that "special consideration" be given to these activities.

As with the Strengthening Institutions program, cooperative arrangements among eligible institutions may be funded, and a grantee may not undertake any activities that are inconsistent with a State plan for higher education desegregation affecting the grantee. To be eligible, an institution must meet the general requirements for title III cited above and, in addition, must not enroll fewer than 100 FTE students. The process of securing points for eligibility determination is the same as that followed in the Strengthening Institutions program, but the precise elements in the formula differ.

The Special Needs eligibility formula uses the following criteria to rank institutions (the highest number of points possible for each is listed in parentheses):

1. The number of Pell Grant recipients and the unduplicated number of undergraduate recipients of title IV, Higher Education Act, campus-based student assistance (i.e., Supplemental Educational Opportunity Grants, College Work-Study, National Direct Student Loans) divided by twice the FTE undergraduate enrollment

(50 points). The greater this ratio is, in general, the greater the number of points awarded.

2. The total amount of Pell Grant dollars awarded to students at the applicant institution plus the total amount of title IV campus-based aid awarded to students divided by the number of Pell Grant recipients plus the unduplicated number of undergraduate recipients of title IV campus-based assistance (50 points). The larger this amount is, in general, the greater the number of points awarded.

3. The total educational and general expenditures divided by the FTE undergraduate enrollment and 2.5 times the total FTE graduate and professional enrollment (if any) (100 points). The smaller this amount is, in general, the larger the number of points awarded.

As in the Strengthening Institutions program, the Secretary is permitted to waive the educational and general expenditures criterion.

The threshold levels for the Special Needs program for 1984-85 are: 5/

Type of institution	All factors	If educational and general expenditures waived
2-year public	89	59
2-year private	87	56
4-year public	109	73
4-year private	125	83

Unlike the Strengthening Institutions program, the authorizing statute for the Special Needs program permits the Secretary to consider additional factors when determining if an institution is eligible for funding. Among these factors are: little or no endowment, high student-to-faculty ratio, limited library resources, and low percentage of faculty with doctorates. 6/

A Special Needs grant cannot exceed 5 years in duration and has a declining Federal share (100 percent Federal funding in the first 2 years, 90 percent in

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5/ See footnote 4 above.

6/ In contrast to the statutory provisions, to use these factors, the program regulations indicate that the Secretary is to determine if an institution is to be permitted to waive the educational and general expenditures criterion for determining Special Needs eligibility.

the third, 80 percent in the fourth, and 70 percent in the fifth). A 1-year planning grant is authorized. Receipt of a Special Needs grant renders an institution ineligible for more title III assistance except for a Challenge Grant and an Endowment Grant, and, under special circumstances, a nonrenewable Strengthening Institutions grant. (As indicated previously, no new Challenge Grants are being made.)

Within the program, set-asides are provided for specific types of institutions. Not less than 30 percent of the appropriation for Special Needs must be awarded to junior or community colleges. Also, the Secretary is to make available to historically black colleges with "special needs" at least 50 percent of the amount such colleges received from title III for FY 1979. Given the black college share of title III funds in 1979, the annual set-aside for these schools under the Special Needs program is $27,035,000. An additional constraint was included in the FY 1984 and FY 1985 Department of Education Appropriations Acts (P.L. 98-139 and P.L. 98-619); not less than $45,741,000 in total title III funding for either year was to be made available only to historically black colleges.

Part C--Challenge Grants

The Challenge Grant program provides Federal matching grants (matched by receiving institutions on a one-to-one basis) to encourage eligible institutions to find alternative sources of funding. The statute provides that Challenge Grant funds are to be used for the activities authorized under the Strengthening Institutions and Special Needs programs.

In general, institutions eligible under either the Strengthening Institutions program or the Special Needs program are eligible for a Challenge Grant. In addition, institutions offering postgraduate degrees are eligible if they meet the eligibility criteria of either program applied as though eligible institutions were required to award postgraduate, not bachelor's, degrees. Eligibility is also accorded to those institutions: (1) that serve minority and educationally disadvantaged students in substantial numbers (defined in regulations as 35 percent of FTE enrollment); (2) that provide a program leading to a doctor of medicine degree, or a program of at least 2 years duration creditable toward such a degree; and (3) that received an FY 1980 grant under section 788(a) of the Health Professions Educational Assistance Act (authorized Federal assistance to new schools of medicine, osteopathy, dentistry, public health, etc.).

Finally, the Secretary can designate institutions as eligible that meet all of the following requirements: (1) are not community colleges; (2) do not award a bachelor's, graduate, postgraduate, or professional degree; (3) have been legally authorized to offer medical education programs for the previous 5 academic years; (4) make a "substantial" contribution to the medical education opportunities for minority and disadvantaged students; and (5) meet the eligibility formula threshold of the Strengthening Institutions or Special Needs programs applied to the medical education program enrollment.

Applications for Challenge Grants must follow the requirements described previously for the Strengthening Institutions and Special Needs program and must also demonstrate that matching funds will be available. Applications for public institutions must contain a recommendation for funding from an appropriate State agency or evidence that such an agency's comments were solicited but not provided.

Institutions eligible under the Special Needs criteria must show how Challenge Grant funding will be used to address the additional deficiencies described earlier which the Secretary can use to determine eligibility (e.g., limited or no endowment). The Secretary must determine and notify recipients of Challenge Grants of their selection by April 1 of the year preceding the fiscal year in which the grants will be used.

In awarding these grants, preference is to be given to present or past participants in the Strengthening Institutions and Special Needs programs.

Challenge Grants can be made only for a period of up to 5 years. Receipt of a Challenge Grant precludes receipt in the future of a renewable Strengthening Institutions grant. No new Challenge Grants are being made for FY 1985.

Part C--Endowment Grants

A new part C, the Endowment Grant program, providing Federal matching grants (matched by receiving institutions on a one-to-one basis), was added to title III by the Challenge Grant Amendments of 1983 (P.L. 98-95) to assist in the establishment of, or increase of, endowments at eligible institutions, to encourage fund raising by these institutions, and to increase the independence and self-sufficiency of these institutions.

To be eligible, institutions must meet the eligibility requirements of the Challenge Grant program which, in essence, means that schools eligible for the Strengthening Institutions program or the Special Needs program are eligible for Endowment Grants. The Secretary is to give priority to current recipients of Strengthening Institutions and Special Needs assistance and to applicants with "greater need" for aid based on the current market value of their endowments per FTE student. In addition, the Secretary is to consider applicants' efforts to build current endowments and the extent to which applicants propose to match Endowment Grants with non-governmental funds.

Endowment Grants are to be deposited by recipients in endowment funds (established by State law, by an institution of higher education, or by a tax-exempt foundation for the purpose of generating revenue for institutions of higher education). Investment of the fund's capital is limited to the same "low-risk" securities in which a regulated insurance company in the State is legally permitted to invest. Up to 50 percent of the income from the endowment capital may be used to meet institutional operating expenses (such as maintenance, administration, personnel costs, construction, and renovation). In the event of a fiscal emergency, a "life-threatening" situation, or other exigency, the Secretary may permit an institution to spend more than 50 percent of the income.

During the "grant period" (identified by the authorizing statute as not more than 20 years from the awarding of the Endowment Grant), the recipient cannot withdraw or spend any of the capital (Federal and non-Federal matching amounts) deposited in the endowment fund. If an institution withdraws any part of the endowment capital, it must repay 50 percent of the amount withdrawn to the Federal Government plus any earned income on the withdrawal. After termination of the grant period, the capital and the fund's earnings may be used for any educational purpose.

An institution cannot receive a grant for more than 2 fiscal years out of any period of 5 consecutive fiscal years. An Endowment Grant cannot be less than $50,000 in any fiscal year, nor more than $250,000 for FY 1984 or $500,000 for any succeeding fiscal year. Each grant must be matched by its recipient with an equal amount of funds not obtained from Federal sources or from an existing endowment fund.

The Challenge Grant Amendments of 1983 provide that Endowment Grant funding is to consist of 20 percent of the FY 1984 appropriation for part C and 100 percent of the FY 1985 appropriation for part C; this requirement has the effect of effectively terminating the Challenge Grant funding. In addition, the Secretary may reserve an amount from the annual Special Needs appropriation (equal to the amount of matching funds required from Special Needs grantees) to be awarded as Endowment Grants. The Secretary is to assure that the amounts of those reserved Special Needs funds that would have been set aside for community or junior colleges, and for historically black colleges under the Special Needs program, are similarly set aside under the Endowment Grant program.

Legislative and Regulatory History and Program Evaluations

This review focuses only on the major legislative and regulatory actions directly affecting title III programs, and on the most important evaluations of title III programs. In general, changes to the title III statute and regulations have sought:

1. to define more clearly the objectives of the title;
2. to more fully direct funding to colleges deemed eligible because of the kinds of students being served (needy students receiving Federal assistance), rather than because of what the institutions have the potential to do (i.e., enter into the academic mainstream);
3. to find an appropriate array of authorized programs (e.g., role of endowment funding for title III assistance); and
4. to reduce subjectivity in the awards process.

Statutory and regulatory change and program evaluations are considered together in this section because, as is shown below, of the interaction among them.

Higher Education Act of 1965 (P.L. 89-329)

In 1965, title III of the Higher Education Act (HEA) was authorized--

> . . . to assist in raising the academic quality of colleges which have the desire and potential to make a substantial contribution

> to the higher education resources of our Nation but which for financial and other reasons are struggling for survival and are isolated from the main currents of academic life, ... 7/

This new title authorized grants for cooperative agreements involving "developing" colleges, other colleges and universities, and other kinds of institutions that came to be known as "assisting agencies." The grants could be used for activities such as:

1. faculty exchanges;
2. faculty and administration improvement programs;
3. introduction of new curriculum and materials;
4. cooperative education programs; and
5. joint use of facilities.

The title also authorized a program of National Teaching Fellowships for "highly qualified" graduate students and junior faculty members desiring to teach at "developing" colleges.

An Advisory Council on Developing Institutions, to be established in the Office of Education, was to advise the Commissioner on program policy matters, particularly the identification of those institutions that most appropriately should be aided by title III funds.

A "developing" institution was defined in the 1965 legislation as one that—

1. admitted as regular students only high school graduates or the equivalent;
2. offered a bachelor's degree program, a 2-year program creditable toward a bachelor's degree, or a 2-year program in engineering, mathematics, physical sciences or biological sciences preparing students for semi-professional work in those fields;
3. had met requirements 1 and 2 for 5 years;

7/ Section 301, title III, HEA.

4. was accredited by, or was making reasonable progress toward accreditation by, a nationally recognized accrediting agency approved by the Commissioner;
5. was working to improve the quality of its teaching, staffing, and student services; and
6. found itself outside the "main currents of academic life" with its survival threatened for financial or other reasons.

Title III as originally enacted had a single year's authorization of $55 million, 78 percent of which was to be awarded institutions awarding bachelor's degrees.

The issue of precisely which institutions were to receive title III assistance arose during the legislative deliberations on the title. 8/ The House Report on the bill to authorize the HEA concluded:

> The committee, however, recognized that no hard-and-fast line separates developing from established institutions and that in the end final determination is a matter of interpretation. 9/

This issue of institutional eligibility has continued to be an issue in the administration of the title primarily because the question is the extent to which black colleges, principally the historically black colleges (i.e., those established to provide higher education to blacks during the period of de jure segregation of the races), were intended to be the major or, indeed, exclusive beneficiaries of title III assistance. The legislative history

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8/ See U.S. Congress. House. Committee on Education and Labor. Subcommittee on Special Education. Higher Education Act of 1965. Hearings on H.R. 3220, 89th Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1965. February-May 1965. pp. 187, 189.

9/ U.S. Congress. House. Education and Labor Committee. Higher Education Act of 1965. Report to Accompany H.R. 9567. House Report No. 621, 89th Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1965. p. 18.

related to the original consideration of the legislation in 1965 indicates that black colleges were not intended to be the only recipients of the aid. 10/

Education Amendments of 1972 (P.L. 92-318)

Title III essentially was rewritten in the Education Amendments of 1972; the principal changes include the following:

1. to be eligible, an institution would now have to meet the accreditation requirements for a period of 5 years (waivers now provided, see item 2 below);
2. the accreditation requirements could be waived for institutions located on or near an Indian reservation, or a large Indian population, if such action would expand higher education opportunities for American Indians (not more than 1.4 percent of any year's appropriation could be made in grants resulting from such waivers);
3. developing institutions were eligible for waivers of any non-Federal matching share requirements under certain other titles of the HEA;
4. to be approved, an application for assistance now had to provide policies and procedures for evaluating the project's effectiveness; and

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10/ Representative Edith Green, during the 1965 hearings on title III, stated that the program was "conceived . . . primarily to strengthen the Negro colleges in the South." (Hearings on H.R. 3220, cited earlier, p. 845.) Examples of cooperative arrangements involving Southern black colleges were cited several times in the House hearings (pp. 180-181, 182, 183, 198). Nevertheless, the Green statement is the only one found in which a member of Congress was on record in the 1965 legislative history equating "developing" with "black." Indeed, President Johnson in his Education Message to the 89th Congress on January 12, 1965 called for legislation to help "less developed," "smaller" colleges. The Council for the Advancement of Small Colleges (an association of colleges united by size of student body, not the race of its students) testified in favor of title III before the Select Subcommittee. The Office of Education, also testifying in support of the legislation, offered examples of cooperative arrangments, some of which involved only predominantly white institutions. (Hearings on H.R. 3220, cited earlier, p. 181.) Finally, the authorizing statute and the committee reports accompanying the authorizing legislation contain no statement suggesting that the aid was to be exclusively or primarily devoted to black colleges.

5. the authorized annual appropriation level was set at $120 million for FY 1973 through FY 1975.

The legislative history of these amendments suggests that the concern about the definition of the developing college had not abated; an effort was made to direct title III funds to institutions serving disadvantaged students. A developing institution would, in this context, be defined by the characteristics of its student body, or its graduates. 11/

The Senate version of the Education Amendments of 1972 reflected this new approach to defining a developing college by stipulating that half of the annual appropriation for title III be granted to institutions enrolling a substantial percentage of students with inadequate high school preparation or who were educationally, culturally, or economically disadvantaged. 12/

The House version of the legislation did not seek to change the statutory language defining a developing institution, but the report of the Committee on Education and Labor posited that one way of defining a developing institution was to consider the characteristics of its student body. The Committee stated that colleges with largely minority student bodies were "developing"

11/ During hearings on title III in 1970, this concept was advanced. See, U.S. Congress. Senate. Committee on Labor and Public Welfare. Subcommittee on Education. Higher Education Amendments of 1970. Hearings on S. 3474, Part 2. 91st Cong., 2nd Sess. June 19, 1970. Washington, U.S. Govt. Print. Off., 1970. p. 1230. Testimony by Dr. Herman Long, Vice President of the National Association for Equal Opportunity in Higher Education.

12/ The Senate committee report on the bill describes the rationale for such a change largely in terms of the special role being played by these institutions in educating minority students who otherwise would be without higher education opportunities. See, U.S. Congress. Senate. Committee on Labor and Public Welfare. Education Amendments of 1971. Report to Accompany S. 659. Senate Report No. 92-346, 92d Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1971. p. 17.

institutions as a result "of the isolation of that segment of the population that they chiefly serve." 13/

This approach to identifying developing institutions was *not* incorporated into the legislation, but its emergence in the legislative history of title III is significant. To some extent, this approach would drop development (with its relatively vague meaning) as a goal, and substitute assistance to schools serving certain groups of students as the title's *raison d'etre*.

Regulations—1974

Regulations for title III were first proposed on November 30, 1973, fully 8 years after passage of HEA. Final regulations were published on May 29, 1974. Perhaps the two most important features of these regulations were the "Criteria for Identifying Developing Institutions" and the establishment of two title III programs--Advanced Institutional Development Program and Basic Institutional Development Program.

In addition to specifying that a developing institution had to meet the general criteria from the legislation (e.g., the accreditation requirement), the regulations identified eight quantitative and three qualitative factors upon which institutional eligibility would depend. The quantitative factors measured an institution's enrollment, degrees held by the faculty, faculty salaries, percent of students from low-income families, educational and general expenditures, and number of volumes in the school library. The factors varied slightly according to type and control of institution, and the Office of Education established a range of values within which a particular applicant

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13/ U.S. Congress. House. Committee on Education and Labor Committee. Higher Education Act of 1971. Report to Accompany H.R. 7248. House Report No. 92-554. 92d Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1971. p. 14.

institution had to fall. These ranges were derived from characteristics of previous title III recipients. An institution that failed to rank within the prescribed ranges for one or more of these factors could still be eligible if it demonstrated that the failure did not "materially alter [its] character."

Once an institution met the quantitative eligibility factors it was then considered in terms of the qualitative factors. The qualitative factors encompassed enrollment, institutional personnel, and institutional "viability." The regulations stated that the enrollment factors to be considered by the Commissioner of Education were to include an institution's FTE enrollment, extent to which its graduates continued their education, class rank of entering freshmen, rate at which freshmen completed their first year, and rate at which they were graduated. Enrollment decline over a 3-year period required an institution to demonstrate that its "viability" was not threatened.

Institutional personnel factors to be considered by the Commissioner were to include the quality of an institution's financial operations, student services, teaching, and research operations. Finally, the institution's "viability" factors included its fund-raising capability, its planning capability, and its development plan. An institution would be judged on the basis of its performance on these criteria over a 3-year period.

Until these regulations were published, the Office of Education had utilized some relatively informal eligibility standards in evaluating title III applications, but they were not precisely defined and remained in a state of flux. 14/ In the program's early years a self-selection process was followed. Those institutions choosing to characterize themselves as developing were

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14/ See U.S. Congress. House. Committee on Education and Labor. Special Subcommittee on Education. Higher Education Amendments of 1967. Hearings on H.R. 6232 and H.R. 6265. 90th Cong., 1st Sess., Part 1. April-May 1967. Washington, U.S. Govt. Print. Off., 1967. p. 100.

encouraged to participate; in turn, the Office of Education began to use the characteristics of those self-selected institutions to establish a list of attributes that purportedly distinguished developing colleges from other institutions. 15/

The factors actually followed by the Office of Education in determining eligibility may not have been reflected even in the criteria included in the published regulations. As reported by the General Accounting Office in 1975, Office of Education staff members,

> . . . since 1971 . . . have increasingly emphasized funding schools with a high percentage of low-income students, and for school year 1973-74 this was the single most important factor in awarding grants. 16/

The second important feature of the regulations published in 1974 was the division of the title III activities into two programs--Basic Institutional Development program (BIDP) and Advanced Institutional Development program (AIDP). The former essentially continued the title III activities undertaken to date; the latter, according to the narrative accompanying the regulations, would concentrate large grants on a few institutions that had the capacity for faster development. These institutions had to submit a long range development plan covering a 5-year period that included the strategy to be followed to supplant the Federal funding from title III by the end of the period.

The Commissioner was to give preference to proposals whose purpose was to achieve one or more of the following--training in fields in which graduates of developing institutions were underrepresented, training to prepare graduates for newly emerging employment or graduate education opportunities, development

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15/ Ibid., pp. 100-102.

16/ General Accounting Office. Assessing the Federal Program for Strengthening Developing Institutions of Higher Education. MWF-76-1, October 31, 1975. p. 7.

of more appropriate teaching techniques or curricula, development of new or more flexible administrative techniques, and improvement of institutional effectiveness in areas of finances, administrative operations, and academic quality.

Evaluations--1974-75

Two evaluations of title III released in the 1974-75 period were of particular significance. They differed in their principal findings; one evaluation supported a major change in the program's structure, and another was largely critical of the program.

The first evaluation, released in January 1974, created a profile of developing institutions, evaluated the impact of title III between 1966 and 1971, and identified criteria that might be used to identify institutions eligible for title III funding. 17/ This evaluation supported dividing title III activities into separate parts because it was asserted that colleges develop in stages. The recommendation was that title III funding be adjusted according to the stage a grantee had reached, and that special grants should be awarded to institutions that were sufficiently "developed" to help them "take off."

Nearly half of the title III grants had been used to support faculty development projects, a quarter focused on curriculum development, and the remainder addressed administrative improvement and student services.

The findings illustrate the difficulty in assessing the independent effect of title III funding on institutions. However, the report did make some

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17/ Harold Hodgkinson and Walter Schenkel. A Study of Title III of the Higher Education Act: The Developing Institutions Program. Center for Research and Development in Higher Education. University of California. Prepared under contract with the Office of Education. Jan. 1974.

critical observations about the program. For example, no single factor could be identified that set title III recipient developing institutions apart from comparable institutions that did not receive such funding. In addition, the report raised questions about the adequacy of the fiscal accounting procedures in some of the least developed institutions.

In October 1975, the General Accounting Office (GAO) issued a critical report on title III. 18/ GAO was frustrated in its efforts to determine if the title was achieving its statutory goals. The report asserted that the most appropriate measure of success for the title should be the rate at which institutions left the "developing" status; but, during the period of GAO's fieldwork, the title had no definition of a developing institution and no definition of when such an institution no longer needed Federal assistance.

The report drew attention to the inadequate planning many grantees exhibited for the use of their funds. GAO concluded that the program eligibility criteria had hardly any relationship to the factors that were actually most influential in determining whether an institution would be funded.

For 2-year schools, GAO determined that an institution's previous history of title III funding and racial composition of its student body were the factors most linked statistically to its funding. For 4-year schools, there were three such factors--prior funding, low-income enrollment, and private control. Some evidence was presented that schools were supplanting their own funds with title III funds; and, some institutions reported to GAO that the services being received from assisting agencies did not appear commensurate with the amount of title III funds paid for them.

18/ General Accounting Office. Assessing the Federal Program for Strengthening Developing Institutions of Higher Education. MWD-76-1, October 31, 1975.

Regulations--1979

On November 2, 1978, the Office of Education proposed extensive changes to the title III regulations, most importantly making the determination of institutional eligibility a largely statistical evaluation of an institution's performance on two new eligibility factors. The two proposed factors were average educational and general expenditures per full-time equivalent (FTE) student, and average Basic Educational Opportunity Grant (since renamed Pell Grant) award per FTE undergraduate student. Under the regulations, the Office of Education would prepare tables to permit institutions to be compared based on their percentile ranking for each eligibility factor. Points would be accrued by an institution as a result of its position on the ranking tables. The lower an institution's educational and general expenditures ranking, the more points awarded. The higher its Basic Educational Opportunity Grant ranking, the more points awarded; in addition, an institution's Basic Grant ranking was to carry twice the weight of its educational and general expenditures ranking. The proposed regulations set a minimum number of points an institution had to attain before it was designated as "developing" and hence eligible to apply for funding.

A second important proposed change was the consolidation of the Advanced and Basic programs. Eligible institutions would now be able to apply for funding for any of the authorized activities; and the level and duration of funding awarded would depend upon the activities for which funding was sought.

These proposed regulations marked several changes in the Office of Education's approach to the title, at least as delineated officially. For example, the eligibility determination would be explicitly influenced by the extent to which an institution served low-income students (measured by the Basic Grant factor). Also, the proposed regulations implicitly signalled a rejection of the developmental stage theory previously reflected in title III regulations.

During the year preceding the release of the proposed regulations, GAO had been at work on a new evaluation of title III that was apparently even more negative in its assessment than the earlier evaluation. In addition, during the summer of 1978, questions about the program had arisen as a result of funding problems faced by two black colleges, both of which were title III grantees. Secretary of Health, Education, and Welfare (HEW) Califano expressed concern that Federal programs such as title III were providing sizeable amounts of funding to institutions unprepared and unable to handle them properly. At a press conference, Califano criticized title III in particular.

> [T]he objective of the program was to help enhance ultimately the quality of education for students, to provide good institutions for students to go to, to help those institutions develop so they can better serve students.
>
> It is far from clear that that objective has been met. In fact, in many respects, the objective has not been met.
>
> Now, why hasn't the objective been met? Have we not been administering the program properly? What is our role? What should the relationship of these institutions be to HEW? What can we do? What can they do? What could they do? I am saying we are just beginning on this journey. 19/

Reaction to the proposed regulations centered on the impact of the two eligibility criteria. National organizations of small colleges and of private colleges attacked the proposed regulations as inflexibly focused on Basic Grant participation and the level of educational and general expenditures, ignoring such relevant factors as the effects of geographical location on an institution's economic status, its ability to serve its students, and its goals and mission. It was feared that many currently eligible

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19/ A press briefing by Secretary Califano, June 23, 1978. North American Reporting transcript, p. 13.

institutions would no longer qualify for funds. The process by which these programmatic changes were to be accomplished was questioned. The president of the National Association of Independent Colleges and Universities reportedly stated:

> [T]he question of who is eligible, and for how much, clearly is a policy decision for the Congress to make, rather than either for bureaucrats or recipients to decide. 20/

In contrast, an organization representing historically black colleges reportedly supported the proposed regulations because the economic characteristics of an institution's student body were to be explicitly considered in determining eligibility, presumably a change benefitting black colleges. Nevertheless, this organization and those representing small colleges and private colleges joined together in a statement requesting the Office of Education to continue the eligibility of presently-funded institutions in the final regulations. 21/

Members of Congress expressed dissatisfaction with the regulations--some requested that the Commissioner of Education delay publication of the final regulations until after the release of the forthcoming GAO report; others, noting that the Congress would soon be assessing title III itself at length during the 1979-80 reauthorization of the Higher Education Act, sought to delay changing the regulations until after that reauthorization. 22/

The final regulations, published March 30, 1979, were only slightly different from those proposed. The Office of Education agreed to continue the eligibility of institutions funded in FY 1978 or awarded an AIDP grant expiring

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20/ Higher Education and National Affairs, December 1, 1978.

21/ Chronicle of Higher Education, January 8, 1979.

22/ Higher Education Daily, HEW, Congress Clash Over Title III Regulations, February 2, 1979.

on or after June 30, 1979. As written this provision made such institutions indefinitely eligible; however, the "Summary of Comments and Responses" indicated that the Congress would soon be reviewing the authorizing statute. Under both the proposed and final regulations, an institution failing to attain the requisite eligibility threshold could explain in writing "why these indicators do not significantly reflect its status as a struggling institution and one isolated from the main currents of academic life." On the basis of that explanation, the Commissioner could identify an institution as eligible.

GAO Report--1979

The 1979 GAO report 23/ concluded once again that, because the intent of the title was undefined, the program's performance or effectiveness could not be evaluated. Further, GAO found that no institution had reached a "developed" stage by virtue of title III support. The selection procedures (determination of institutional eligibility, field reading of grant applications, and final award determinations by the Office of Education) were, according to GAO, applied inconsistently and subjectively. As found in earlier reviews, previous recipients were favored in the allocation of funds. GAO asserted that controls over, and accurate accounting for, program funds were limited as a result of the use of assisting agencies. Ultimately, GAO concluded:

> The operating problems and the more basic problem of adequately defining a "developing institution" are so fundamental and pervasive that we believe the program as presently structured is largely unworkable. Therefore, the Congress should first determine whether or not the title III program should be continued. If it determines that the program should be continued, it should clarify the purpose of the Strengthening Developing Institutions of Higher Education

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23/ General Accounting Office. The Federal Program to Strengthen Developing Institutions of Higher Education Lacks Direction. HRD-78-170. February 13, 1979.

> Program by providing as much specific additional guidance as it can to HEW concerning the type of institution which the programs should serve and the ultimate goals that should be achieved by these institutions. 24/

Legislative language indicates that an immediate effect of the report was a $10 million reduction in FY 1980 program funding. 25/ As indicated above, the development of the new regulations and the debate over their implementation were fueled in part by GAO findings during its fieldwork on its report.

Education Amendments of 1980 (P.L. 96-374)

The 96th Congress' debate on the title III program, during its reauthorization of the HEA, ranged across many issues, including the appropriateness of the new program regulations, role of assisting agencies, requirement that grantees enter into cooperative arrangments, extent to which institutions appeared to be dependent upon title III assistance, participation of institutions serving Hispanic students, effect of the community and junior

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24/ General Accounting Office, 1979, p. 19. Although GAO reviewed title III activities as they took place under the previous regulations, the agency noted that "it is not clear that these revised regulations will be more adequate . . . ." (p. iv).

25/ According to the Senate report on the FY 1980 HEW appropriation:

> The recommended reduction was made in light of a recent General Accounting Office report which raised questions about the program's effectiveness. . . . The GAO report was highly critical of the so-called assisting agencies. In hearings . . . , the need for and benefit derived from assisting agencies was not justified . . . . In fiscal year 1979, over $10 million was spent to finance the assisting agencies. The Committee does not see the need to continue to divert funds to the assisting agencies as they are presently constituted.

(from) U.S. Congress. Senate. Committee on Appropriations. Departments of Labor and Health, Education and Welfare, and Related Agencies Appropriations Bill, 1980. Report to Accompany H.R. 4389. Senate Report No. 96-247, 96th Cong., 1st Sess. Washington, U.S. Govt. Print. Off., 1979. p. 120.

college set-aside, definition of a "developing" institution, and misuse of funds. 26/

The House-passed version of an amended title III adopted many of the provisions already contained in the new program regulations, including the formula method for determining eligibility. The purposes of the title were amended to specify that the goals of the program were to improve academic quality, institutional management, and fiscal stability of grantees.

Special consideration in the allocation of funds was to be given to faculty development, institutional management, academic program development, procurement of equipment to improve management activities and academic programs, joint use of facilities, and student services. Four types of grants were authorized--(1) small, short-term, renewable grants; (2) large, long-term, nonrenewable grants; (3) 1-year planning grants; and (4) matching grants.

All previous language concerning cooperative arrangements among institutions was deleted. The current funding authorization level of $120 million was raised in stages to $200 million for FY 1984 and FY 1985. Under an amendment accepted on the floor of the House, the application review process was to be established in law.

The Senate reauthorization version of title III renamed the title as Institutional Aid and created two separate programs--nonrenewable aid to

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26/ U.S. Congress. House. Subcommittee on Postsecondary Education. Reauthorization of the Higher Education Act and Related Measures. 96th Cong., 1st sess., parts 1 and 8, March 28, 29, 1979 and July 25, 1979. Washington, U.S. Govt. Print. Off., 1979; U.S. Congress. Senate Subcommittee on Education. 96th Cong., 1st Sess., Parts 1 and 2. October 5, 1979 and November 19, 1979. Washington, U.S. Govt. Print. Off., 1980; U.S. Congress. Senate. Committee on the Judiciary. Subcommittee on Limitations of Contracted and Delegated Authority. Title III of the Higher Education Act of 1965. Hearings, 96th Cong., 1st Sess. November 14, and December 12, 1979. Serial no. 96-38. Washington, U.S. Govt. Print. Off., 1980.

institutions with "special needs" (those with problems in management, finances, planning, recruitment, and development) and aid to institutions providing educational opportunities to disadvantaged students. Eligibility for Special Needs assistance was to be determined on the basis of enrollment of low-income students and low average educational and general expenditures.

The Senate program of aid to institutions serving disadvantaged students would have created an entitlement for institutions, with funding distributed according to each institution's eligibility factor, calculated on the basis of low-income student enrollment, average expenditures, amount of resources available to the institutions, and the institution's relative effort to provide its own student assistance funds.

Funding for title III under the Senate proposal would have been authorized at $161 million for FY 1981, rising to $285 million by FY 1985, to be divided evenly between the two programs. A set-aside for historically black colleges was provided, assuring that their funding under both programs would not be less than the amount received under title III in FY 1979.

The conference committee on the differing House and Senate versions of the Education Amendments of 1980 agreed on a three-part title to be known as Institutional Aid. Part A--Strengthening Institutions was derived from the House version of title III; Part B--Aid to Institutions with Special Needs embodied many features of the Senate program of that same name; and Part C--Challenge Grants established a separate matching grant program modelled after matching programs in both House and Senate proposals. The set-aside for historically black colleges was applied to the Special Needs program and limited to 50 percent of the amount such institutions received for FY 1979 under title III.

The authorized funding level for parts A and B (divided evenly between them) was set at $175 million for FY 1982. This level was to rise in stages to $220 million by FY 1985. The Challenge Grant program was authorized at $25 million in FY 1982, rising to $50 million by FY 1985.

Regulations—1982

On July 20, 1981, regulations to implement the revised title III were proposed. These proposed regulations sparked congressional opposition because they would not have continued the system of determining eligibility through the accumulation of points. Rather, to be eligible, an institution would have to meet each eligibility criterion separately. A debate over congressional intent ensued, impelled by reports that significant numbers of previously-eligible institutions would not qualify if the eligibility criteria were applied in this fashion. 27/

Hearings held in both Houses, and negotiations between the Department of Education and Members of Congress resulted in an agreement that a point system would be developed and implemented. The final regulations published on January 5, 1982, restored the previous point accumulation method for determining eligibility.

27/ A floor colloquy in 1980 between Senators Pell and Stewart on the Senate's version of a revised title III supports the eligibility process proposed in the regulations, but only for the Senate-passed version of the legislation. (Congressional Record, daily edition, June 23, 1980, p. S7890.) The Strengthening Institutions program, derived from the House proposal, has in its legislative history the admonition that its eligibility criteria were to be applied as in the 1979 regulations. (See House Report No. 96-520, pp. 13-14.)

Challenge Grant Amendments of 1983 (P.L. 98-95)

The Challenge Grant Amendments of 1983 added a fourth program--Endowment Grants--to the array of title III programs. The Endowment Grant program was intended to establish or increase endowments at eligible institutions through provision of Federal matching grants. As approved by the House Education and Labor Committee, the program was to be funded with 20 percent of the part C (Challenge Grant) funds in any 1 year, would permit interest to be periodically withdrawn without limit from the endowment fund to meet operating expenses, and would establish no terminating point for the Federal interest in the endowment fund. 28/ On September 15, 1983, the Senate approved an amended version of the House-reported legislation incorporating changes reportedly sought by the Reagan Administration. 29/ The House quickly followed suit, passing the Senate version 5 days later. The approved legislation differed from the House-reported bill primarily in its expansion of Endowment Grant funding to consume all of the part C appropriation by FY 1985, its restriction that only half of the earnings on the endowment could be withdrawn, except under specified circumstances, and its limitation of the Federal interest in the endowment fund to not more than 20 years from the awarding of a grant. 30/

To permit the Secretary of Education to honor the multi-year commitments for Challenge Grant assistance entered into prior to October 1, 1983, the

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28/ U.S. Congress. House of Representatives. Education and Labor Committee. Challenge Grant Amendments of 1983. Report to Accompany H.R. 2144. House Report No. 98-76. April 20, 1983.

29/ See comments by Representative Erlenborn, Congressional Record, daily edition, September 20, 1983, p. H7436.

30/ An endowment support program, as an approach to providing Federal support to title III schools, had been advanced at least as early as 1977. See discussion in Report on an Examination of the Developing Institutions Program, Henry E. Cobb, September 1977, Office of Education, pp. 110-115.

Congress modified the funding mechanism for Endowment Grants to reserve for Challenge Grants a portion of the part B funding originally intended for Endowment Grants. 31/

SELECTED PROGRAM DATA

In this section, selected program statistics are provided, focused primarily on funding for title III. As shown in table 10.1 below, with the exception of the FY 1980 appropriation, no annual appropriation for title III has failed to either provide level funding or increased funding. Indeed, title III funding reached its highest level in FY 1985.

TABLE 10.1. Title III Funding--FY 1966-FY 1985

Fiscal year	Authorization	Budget request	Appropriation
1966	$55,000,000	-0-	$5,000,000
1967	30,000,000	$30,000,000	30,000,000
1968	55,000,000	30,000,000	30,000,000
1969	35,000,000	35,000,000	30,000,000
1970	70,000,000	30,000,000	30,000,000
1971	91,000,000	33,850,000	33,850,000
1972	91,000,000	38,850,000	51,850,000
1973	120,000,000	100,000,000	87,350,000
1974	120,000,000	99,992,000	99,992,000
1975	120,000,000	120,000,000	110,000,000
1976	120,000,000	110,005,000	110,000,000
1977	120,000,000	110,000,000	110,000,000
1978	120,000,000	120,000,000	120,000,000
1979	120,000,000	120,000,000	120,000,000
1980	120,000,000	120,000,000	110,000,000
1981	120,000,000	120,000,000	120,000,000
1982	129,600,000	129,600,000	134,416,000
1983	129,600,000	129,600,000	134,416,000
1984	134,416,000	134,416,000	134,416,000
1985	270,000,000	134,416,000	141,208,000

Source: U.S. Department of Education.

31/ P.L. 98-312, signed into law June 12, 1984.

Table 10.2 shows the estimated distribution of the FY 1983 and FY 1984 appropriations among the four component programs of title III. The shift of funds away from the Special Needs program to the Part C programs (Challenge Grants and Endowment Grants) is depicted, as is the significantly larger average award being granted under the Special Needs program (a funding allocation in keeping with the authorizing statute).

TABLE 10.2. Estimated Distribution of FY 1983 and 1984 Appropriations

Program Name	FY 1983	FY 1984
Strengthening Institutions		
Estimated number of awards	277	277
Estimated total funding	$62.4 million	$62.4 million
Estimated average award	$225,000	$225,000
Special Needs		
Estimated number of awards	173	176
Estimated total funding	$62.4 million	$57.2 million
Estimated average award	$361,000	$325,000
Challenge Grants		
Estimated number of awards	56	45
Estimated total funding	$9.6 million	$7.7 million
Estimated average award	$171,000	$171,000
Endowment Grants		
Estimated number of awards	-0-	33
Estimated total funding	-0-	$7.1 million
Estimated average award	-0-	$215,000

The total number of awards listed in Table 10.2 is 506 for FY 1983 and 531 for FY 1984. The actual number of institutions receiving title III grants is smaller than the number of awards because some institutions participate in more than one program. The Department of Education estimates that perhaps 1,600 institutions are potentially eligible to participate in title III programs. 32/ Thus, fewer than a third of the potentially eligible institutions of higher education in this country actually participate in title III.

As discussed earlier, the participation of historically black colleges in title III is a matter of particular Federal interest. The title directly reflects this interest through its set-aside for historically black colleges under the Special Needs program. In addition, as is discussed in the "Issues and Options" section which follows, there is congressional interest in the extent to which institutions enrolling Hispanic and Native American students participate. Historically black colleges receive a signficant portion of the awards made under the title and an even more impressive share of the obligated funds. These schools received 17 percent of the awards and 31 percent of the funds for FY 1982. Predominantly Hispanic institutions received 5 percent of the awards and 4 percent of the funds for FY 1982. 33/

PROGRAM ISSUES AND OPTIONS

In this final section, three issues relevant to title III's reauthorization are considered:

1. the determination of eligibility for assistance;
2. the overall structure of the title; and
3. the Federal role in providing institutional support.

32/ U.S. Congress. House. Committee on Appropriations. Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriation for 1985. Hearings before a subcommittee of the Committee on Appropriations, 98th Cong., 2d Sess., Part 6. Washington, U.S. Govt. Print. Off., 1984. p. 950. Written response from Assistant Secretary for Postsecondary Education Elmendorf.

33/ Department of Education, Annual Evaluation Report, fiscal year 1983. pp. 514-515.

Some of the possible options for addressing each issue are presented as well. The options are focused on amendments to the title assuming that some mix of title III programs will be part of reauthorization. Appended to the section is a discussion of two proposals for restructuring title III offered during 1984--H.R. 5240 (introduced by Representative Simon and others) and the Administration's proposal for title III as described in the FY 1985 budget and introduced as S. 2870 (Senator Hatch) and H.R. 5451 (Representative Erlenborn).

Institutional Eligibility

The question of which institutions are to receive title III funding has been a point of controversy since the title's inception in 1965. Although, as indicated in the previous analysis, black institutions were not intended to be the exclusive, or even the primary, beneficiaries of the aid, those institutions have occupied a favored position in terms of institutional eligibility. [34]

At the same time there appears to be a growing concern over the participation of schools serving other racial and ethnic minorities. The eligibility of institutions serving American Indian and Hispanic students is addressed in the authorizing statute only by the waiver of the accreditation requirements. More recently, the Supplemental Appropriations Act for FY 1982 (P.L. 97-257) added $5 million to title III funding for institutions whose Hispanic and Native American students constituted at least 45 percent of enrollment.

In addition, the conference report on the Labor, Health and Human Services and Education Appropriations Act of FY 1985 directed the Secretary of Education to work with the outlying territories (Guam, Virgin Islands, American Samoa, Trust Territories of the Pacific Islands, Northern Marianas Islands) toward the inclusion of title III in any memorandum of understanding implementing section 1204 of the HEA (permitting the Secretary to modify the provisions of any HEA program in order to facilitate participation of the territories); to provide technical assistance to colleges in the territories and the University of Hawaii (including the community college system) to "ensure that sufficient funds are allocated to address the pressing educational needs of the Native American Peoples;" to use to the greatest degree possible the American Indian and Spanish-speaking waivers and other means to direct title III funding to eligible institutions with at least 5 percent American Indian or Native Alaskan students and to those institutions with at least 40 percent Hispanic enrollment (other than institutions in Puerto Rico).

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[34] This continued through the 98th Congress. For example, the FY 1984 and FY 1985 Department of Education appropriations Acts (P.L. 98-139 and P.L. 98-619) specified that $45.741 million in each year was to be awarded to historically black colleges.

Another, perhaps more fundamental, institutional eligibility issue is the general shift in what kinds of characteristics are being used to define an eligible institution. As delineated elsewhere in this section, the racial and ethnic characteristics of enrollment, rather than indicators of institutional resources and potential for development, have over the course of the past 20 years come to occupy an explicit and key role in determining eligibility for title III funding.

Clearly, in the course of reauthorizing title III, attention will be paid to the appropriate target populations for this Federal assistance. Two related questions arise:

1. What is the appropriate balance between financial and other resource characteristics, and student population characteristics (particularly racial and ethnic characteristics) in eligibility determination?
2. What should be the method for determining eligibility (e.g., the current point system versus a more flexible method, perhaps one

permitting many more waivers than at present, or returning all eligibility decisions to a subjective decision-making process)?

Options

Direct the eligibility criteria for the title more fully on the characteristics of institutions' student bodies. Modifying the eligibility criteria to specify even greater portions of annual appropriations for institutions with concentrations of students from particular racial, ethnic, or income characteristics, and to devote separate programs to such institutions, would stress the Federal interest in focusing its limited resources on the truly disadvantaged students in higher education. Such characteristics are more easily quantified and compared than are institutional resource characteristics, such as those specified in the 1974 title III regulations. The recent appropriations actions signal a continuing and growing congressional interest in moving in that direction.

Modify the eligibility factors to focus title III assistance on those institutions struggling for survival, regardless of the precise characteristics of their students. Title III was originally intended to aid institutions out of the academic mainstream but capable of development. With the increasing use of student enrollment characteristics, the title's programs have become battlegrounds for various factions supporting particular kinds of institutions. Broadly defined eligibility requirements that describe institutions' resources could serve to minimize the extent to which Congress is lobbied for particular kinds of schools.

Eliminate the eligibility formula approach in the title and replace it with general instructions to application reader panels. Although the critical evaluations of title III produced during the 1970s clearly focused on the subjectivity of the awards process, the reaction to those criticisms may have been excessive. The relatively arbitrary and complex eligibility formula now in use may be keeping some needy institutions from qualifying for funding. With careful monitoring of the reader panels and the provision of relatively precise guidance to them, the risks arising from the elimination of the formulas would be minimal.

Provide more extensive waiver authority to the Secretary of Education, including the authority to waive the Pell Grant and campus-based student aid eligibility requirements. Waivers are already permitted in title III. Indeed, one of the eligibility formula factors--the educational and general expenditures factor--can be waived under certain circumstances. With a broader waiver authority, the Secretary of Education could approve otherwise ineligible institutions whose support would be in keeping with the objectives of the title. Waiving the student aid eligibility factor could be permitted under certain conditions, such as, when an institution's tuition and fee charges are particularly low.

Structure of Title III

Without a consensus about the programmatic objectives of title III and the appropriate beneficiaries, it is difficult to identify the optimal structure for the title. That is, questions cannot be answered concerning the number of authorized programs that there should be, the number and kinds of activities each should support, the duration of assistance, etc. Nevertheless, an assessment of the history of the title helps to place the reauthorization proposals concerning program structure in context.

Title III began essentially as a single program to link "developing" colleges with other colleges, in order to strengthen their academic and administrative resources. With the release of final title III regulations in 1974, two programs (or a two-tiered program) emerged, reflecting a particular understanding of postsecondary institutional development. Implicit in this programmatic structure was the expectation that with appropriately high concentrations of Federal assistance some institutions could be strengthened to the point that such infusions of Federal dollars would no longer be necessary. As many of the evaluations of title III in the 1970s revealed, institutions did not cut their ties to Federal assistance, rather they appeared to be increasingly dependent upon it.

The failure of the two-program structure to achieve institutional development prompted the Office of Education to amend the regulations, recreating a single program in 1979. Shortly thereafter the Congress reauthorized the title, creating three programs. (This structure appears to be the product largely of a conference committee compromise, reconciling the House and Senate versions of a reauthorized title III.) Two of these programs--Strengthening Institutions and Special Needs--differ primarily in terms of which Federal need-based student aid programs are used to determine eligibility and in the duration of assistance. The Special Needs and Challenge Grant programs introduced the first matching requirements into title III. In addition, certain kinds of grants were now specified as nonrenewable. Receipt of these grants affects eligibility for these and other title III grants. Three years later, with the addition of the Endowment Grant program, the Congress initiated a process of focusing title III aid increasingly on endowment building.

The reauthorization of title III during the 99th Congress may raise the following structural questions:

1. Is the relatively complex structure of the title as presently authorized necessary to achieve its legislative objectives?
2. Should institutions be awarded aid only for a precisely defined period of time, or should an on-going financial relationship between institutions and the Federal Government be permitted?
3. To what extent should title III grants be contingent upon matching by non-Federal dollars and be awarded primarily for endowment building?

Options

Simplify the current structure of title III by eliminating part B which overlaps extensively with part A and which eventually will be phased out as the Endowment Grant program garners its funding. This option essentially accelerates a process already put into motion by the creation of the Endowment Grant program and its funding mechanism. The primary distinction between parts A and B is in the duration and renewable nature of the grants. Continuing part A would maintain a source of renewable and longer term nonrenewable grants.

Simplify the structure by eliminating all programs except for Endowment Grants. It would appear that Endowment Grants are intended by the Congress to become a primary vehicle for providing title III support to colleges. Endowment building appears to satisfy a principal programmatic interest--eventual institutional independence from Federal funding. With current Federal budgetary constraints, the one-to-one matching requirement of Endowment Grants increases the impact of available Federal dollars.

As institutional eligibility becomes more focused on student enrollment characteristics, establish separate title III programs to address the particular needs of selected groups of institutions. This option is an extension of those presented earlier calling for greater use of eligibility criteria based on the racial, ethnic, or income characteristics of student enrollment. The interest in separate programs directed to selected groups of institutions is a logical outgrowth of those efforts. The reauthorization would provide an opportunity for pripritizing the allocation of title III funds among different kinds of institutions.

Federal Aid to Institutions

The higher education community is not in agreement concerning what the Federal role should be in providing aid directly to higher education institutions for academic and financial resource development or general operating expenses. The full dimensions of this issue will not be dealt with in this section, but some major points will be discussed.

The Higher Education Act is primarily a vehicle for providing Federal financial assistance to students; the direct assistance of institutions is, in terms of total spending levels for higher education, quite small in comparison. Still, title III enjoys a degree of support that has permitted it to emerge unscathed from the Federal budget pruning efforts of the past 4 years. This program is the principal remnant of a constellation of Federal higher education programs (primarily HEA programs) that provided direct support to institutions for such activities as construction (Higher Education Facilities Act of 1963; HEA, Title VII—Construction, Reconstruction and Renovation of Academic Facilities), faculty development (HEA, title VI, Part B—Financial Assistance for the Improvement of Undergraduate Instruction; superceded by HEA, title V, Part E--Training Programs for Higher Education Personnel, that, in turn, has been repealed), and academic library support (HEA, Title II—College and Research Library Assistance and Library Training and Research).

The focus of Federal interest on undergraduate postsecondary education, particularly as expressed through the Higher Education Act, has evolved since the 1960s from a more even balance between institutional and student aid, through a debate as to the best way to provide increasing levels of student aid (by institutions for distribution to students or by direct assistance to students who would choose their institutions), to the present structure with its emphasis on a market place in which federally-aided students choose their postsecondary institutions, using student aid which is primarily provided directly to students.

At the same time, some would argue that the Federal Government has a role in higher education that entails insuring that institutions, perhaps some institutions in particular, remain viable. 35/ In addition, the kinds of activities undertaken by the Federal Government in higher education have direct implications for the tension that frequently has accompanied Federal assistance, that of finding the appropriate balance between institutional freedom and institutional accountability. 36/

Consideration of the role of institutional aid from the Federal Government raises a number of questions relevant to reauthorization of the Higher Education Act:

1. Does title III assistance improve institutional quality or merely maintain institutions of doubtful quality?

2. Does the focus of the HEA on student aid have a necessary counterpart in an institutional aid program to help assure that

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35/ See, for example, Congressional Budget Office. Postsecondary Education: The Current Federal Role and Alternative Approaches. February 1977. p. xv.

36/ See, for example, The Second Newman Report: National Policy and Higher Education. Report of a Special Task Force to the Secretary of Health, Education, and Welfare. The MIT Press. 1973. pp. 82-113.

federally-aided students have available an appropriate range of institutions?

3. Are there institutions whose survival is in the national interest?
4. Should title III funding flow to public institutions whose resources and quality are the direct responsibility of States and localities?

Options

Require that title III-assisted institutions show evidence of academic and other improvement as a condition for the continuation of funding. Title III is partially focused on the improvement of institutions' academic and administrative functions to benefit disadvantaged students. With the current Federal budgetary constraints, the position might be taken that institutions failing to improve in those areas should no longer be eligible for title III assistance.

Eliminate public institutions of higher education from title III eligibility. States and, in some instances, local governments have direct financial responsibility for public institutions of higher education. The provision of title III funds to such institutions suggests an inadequate State and local commitment to the institution and the students it serves. In essence, then, title III assistance to these institutions might be interpreted as supplanting State and local funds.

APPENDIX

During the 98th Congress, two rather different approaches to amend the Higher Education Act were introduced. H.R. 5240 contained several proposed changes for title III and would have increased the authorization levels for the program. The Reagan Administration's proposals were represented in S. 2870 and H.R. 5451; the goals in these bills were to simplify the current program and to foster institutional independence.

H.R. 5240

H.R. 5240, introduced March 22, 1984 by Representative Simon for himself and others, was debated but never reported by the House Subcommittee on Postsecondary Education.

The bill would have retained the Strengthening Institutions program as part A, modifying somewhat the elements used in determining eligibility, retaining the current authorized activities, reserving $10 million or 15 percent of part A funding (whichever is more) for Hispanic Institutions (enrollment of 40 percent or more Hispanic), and waiving the nonrenewable restriction on the 4-to-7-year grants for institutions serving American Indians, Spanish-speaking individuals, rural areas, low-income students and for colleges traditionally serving black students. In addition, the need-based student aid portion of the eligibility formula could be waived for institutions extensively subsidized State governments and charging low tuition and fees; for institutions with a substantial number of low- and middle-income students; for institutions contributing substantially to the education of blacks, Hispanics, American Indians and low-income students; or for institutions increasing higher education opportunities for individuals in rural areas unserved by postsecondary education institutions. Part A funding would have been authorized at $[illegible] million for FY 1986, rising to $[illegible] million by FY 1990.

In lieu of the Special Needs program, H.R. 5240 would have created a program for strengthening historically and traditionally black colleges under which eligible institutions could receive two consecutive 5-year grants. Funds could be used for construction, maintenance, and renovation; faculty exchanges; academic instruction in disciplines with black underrepresentation; purchase of educational materials; tutoring; and student services. Eligible institutions (those historically black colleges with [illegible] percent or more black enrollment) would receive funds distributed by formula--1/3 of part B funding on the basis of each eligible institution's share of Pell Grant recipients; 1/3 on the basis of eligible institutions' shares of annual graduates; and 1/3 on the basis of eligible institutions' shares of graduates entering graduate and professional studies in disciplines with black underrepresentation. The authorized funding level would be $[illegible] million in FY 1986, rising to $[illegible] million by FY 1990.

Part C would authorize a Challenge Grant program and an Endowment Grant program, generally following the present structure of these programs. Authorized funding for part C would be $[illegible] million in FY 1986, rising to $[illegible] million by FY 1990.

H.R. 5240 would more directly focus eligibility determination under the title on the racial and ethnic characteristics of institutions' student bodies. Significantly, the new part B would have both defined eligibility solely in terms of racial makeup and historical service to blacks, and then made the actual distribution of funds a matter of formula, not competitive application as currently applies to actual funding under the title at present. Title III notions of eligibility criteria would have been expanded under the bill to include a need-based eligibility criterion and to embrace a somewhat broader range of institutions. The overall division of title III into four programs would have been retained, but the current overlap between parts A and B would have been eliminated. In addition, the total authorized funding level for the title in FY 1986 would have risen from $170 million as currently authorized for FY 1985 to $250 million for FY 1986.

FY 1985 Budget Proposal

President Reagan's FY 1985 Budget included a general description of legislation changes that the Administration planned to seek in 1984 for title III. These title III changes were introduced as part of S. 2875 by Senator Hatch and H.R. 5451 by Representative Erlenborn.

The Strengthening Institutions and Special Needs programs would have been merged into a new Part A--Strengthening Institutions program, awarding nonrenewable 1-to-5-year grants with a declining Federal share after the first 2 years. According to the Budget Justifications, "Further title III aid to 'graduates' of part A will be available only under the Endowment Program." The eligibility criteria would be amended to measure only education and general expenditures per student, and the ratio of Pell Grant recipients to students enrolled at that institution. To be eligible, institutions would have to enroll at least 100 FTE students. Provision would be made for the continuation of assistance to institutions with multi-year commitments under the current parts A and B programs. Ceilings would be set that limited institutions to certain maximum aggregate numbers of years they could receive funding under those programs and the new part A program. A new part B would permit continued funding of Challenge Grant recipients if they had multi-year commitments made prior to October 1, 1984. Finally, a new part C would continue the current

Endowment Grant program. The proposal as introducted would delete the process through which Endowment Grants are currently funded (separate appropriation plus any matching funds freed-up under the Special Needs program). A set-aside for historically black colleges would be established at $45.7 million to be applied to the entire title. The total FY 1985 authorization would be $134.416 million (only a single year was authorized in the bill). Although the proposal as introduced does not permit one to determine how appropriated funds would be divided among the program, the Administration's FY 1985 budget request was for $112.816 million for the new Strengthening Institutions program, $15.242 million for the Endowment Grant program, and $6.358 million for phasing out the Challenge Grant program.

This proposal clearly strove for simplicity in the title III structure (perhaps constituting a step toward reducing title III to a single endowment-building program) and a legislative focus on institutional independence from Federal funding. Apparently, the only type of institution specifically favored for funding would be historically black colleges. The current terms of the Endowment Grant program would have been continued, thus requiring that all title III assistance be matched by non-Federal funds, with some restriction on either the length of assistances (1 to 5 years under part A) or on the number of awards an institution could receive (part A assistance would be nonrenewable and Endowment Grants could be secured for only 2 out of any 5 consecutive years).

SECTION 11
COLLEGE LIBRARY PROGRAM

Title II of the Higher Education Act (HEA) authorizes several small grant programs for the development of college and research libraries, for librarianship training, and for library research and demonstration activities. Title II also authorizes the establishment of a corporation to assess the feasibility of, and if feasible to design, a nationwide periodical system.

This section describes current programs with authorization and appropriation levels and discusses the major aspects of the program's legislative history. The section concludes with a discussion of the major issues and options related to the program.

CURRENT PROGRAM

The only title II programs that are currently funded are those authorized by Part B--Library Training, Research and Development, and Part C--Strengthening Research Library Resources. The title II appropriation history is shown in table 11.1.

Library Career Training grants authorized by part B are available to institutions of higher education and library organizations or agencies to train persons in librarianship. A major purpose of the grants is to fully staff U.S. libraries with professionals and paraprofessionals.

Library Career Training grants are used to support fellowships and traineeships, whose purposes are to promote opportunities for minorities, the disadvantaged, and women in librarianship. The grants may also provide inservice

TABLE 11.1 Appropriation History for College Library Programs Authorized Under Title II of the Higher Education Act
(In millions of dollars)

Fiscal year	College Library Resources (title II-A)	Library Career Training (title II-B)	Library Research and Demonstrations (title II-B)	Research Library Resources (title II-C)
1966	$10.0	$1.0	--	--
1967	25.0	3.8	$3.6	--
1968	24.5	8.3	3.6	--
1969	25.0	8.3	3.0	--
1970	9.8	4.0	2.2	--
1971	9.9	3.9	2.2	--
1972	11.0	2.0	2.8	--
1973	12.5	3.6	1.8	--
1974	10.0	2.9	1.4	--
1975	10.0	2.0	1.0	--
1976	10.0	0.5	1.0	--
1977	10.0	2.0	1.0	--
1978	10.0	2.0	1.0	$5.0
1979	10.0	2.0	1.0	6.0
1980	5.0	0.7	0.3	6.0
1981	3.0	0.7	0.3	6.0
1982	1.9	0.6	0.2	5.8
1983	1.9	0.6	0.2	6.0
1984	0.0	0.6	0.2	6.0
1985	0.0	0.9 a/	(a/)	6.0

a/ FY 1985 appropriations for career training and research and demonstrations were combined.

Source: Annual Evaluation Report 1981, U.S. Department of Education, and recent budget documents.

training for library science professionals in new techniques of information transfer and communication technology.

The Library Career Training program is forward-funded and has the same appropriation of $640,000 for each fiscal year 1982 through 1985. The program provided 41 grants for 76 individuals during the academic year 1984-1985. 1/ In FY 1983, the program provided 33 grants for 75 awards, 58 of which were to females and 47 of which were to minorities. 2/ The majority of fellowships and traineeships are at the masters degree level.

Part B also authorizes grants and contracts for research and demonstration projects relating to the improvement of libraries, librarianship training, information technology, and information dissemination.

The Library Research and Demonstration program is also forward-funded and has had the same funding of $240,000, FY 1982 through FY 1985. Three research projects were supported under contracts during FY 1984; they included the second phase of a study "Libraries and a Learning Society," a response of librarians to the National Commission on Excellence in Education report, "A Nation At Risk;" a study of the future of the book by the Center for the Book at the Library of Congress; and a study on the accreditation of librarians by the American Library Association. 3/

Part C of title II authorizes grants to strengthen major research library collections and to enhance the access of researchers, scholars, and other

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1/ Federal Register, v. 49, June 26, 1984: 26132.

2/ U.S. Department of Education. Office of Planning, Budget, and Evaluation. Annual Evaluation Report Fiscal Year 1983. Washington, 1984. p. 605-2.

3/ Telephone conversation with Mr. Frank A. Stevens, Library Education Research, and Resources Branch, Center for Libraries and Education Improvement U.S. Department of Education, December 20, 1984.

libraries to their collections. The Department of Education has described the objectives of the program:

--to increase access to research materials;

--to preserve unique materials;

--to assist research libraries in acquiring distinctive, unique and specialized materials;

--to initiate specialized research and development projects;

--to promote cooperative activity among institutions; and

--to extend benefits to as many institutions as possible. 4/

Institutions receiving assistance under part C may be public or private nonprofit institutions (includes institutions of higher education), independent research libraries, or State or other public libraries. Recipients of part C funds are precluded from also receiving part A funds or special purpose funds under part B (this program has never been funded).

Since the origin of the part C program, over 70 research libraries have received at least one grant. The FY 1984 appropriation of $6 million provided grants to 53 institutions; grants averaged $113,000. 5/ The FY 1985 appropriation is also $6 million.

Part A of title II authorizes discretionary grants for the development of resources in college libraries to include the purchase of library materials, and networking and resource sharing activities. To participate in part A, institutions are required to maintain expenditures for their library materials from non-Federal sources at least equal to the average of such expenditures for the 2 preceding fiscal years.

4/ Annual Evaluation Report Fiscal Year 1983. p. 607-2.

5/ Federal Register, v. 49, June 29, 1984: 26791.

The part A program, which had existed since FY 1966, was last funded in FY 1983. During that fiscal year, awards were made to 2,141 institutions with each grant averaging $890.

The Senate Appropriations Committee recommended termination of part A funding because of the lack of a need test for applicants. The Committee indicated that virtually every institution is eligible for the grants regardless of need: three-fourths of all colleges and universities, including vocational and technical schools. The interaction of the lack of a need test and the low appropriation level contributed to ineffective small grants. 6/

LEGISLATIVE HISTORY

Title II assistance programs for college libraries, librarianship training, and research were first authorized in the Higher Education Act of 1965, P.L. 89-329. Parts A and B of this law authorized activities substantially similar to those provided for in current law. Authorizations of appropriations were $50 million for part A, and $15 million for part B, each fiscal year 1966 through 1968. Part B was further authorized for FY 1969 and FY 1970 with such sums as may be necessary.

The purposes of parts A and B of P.L. 89-329 were to improve the Nation's college libraries, many of which had collections far below acceptable minimum standards; to expand the number of professional librarians, of which there was an inadequate supply; and to provide for research and demonstration in library science for which there had been little or no funding.

6/ U.S. Congress. Senate. Committee on Appropriations. Departments of Labor, Health and Human Services, and Educartion and Related Agencies Appropriations Bill, 1984. Report to Accompany H.R. 3913. Senate Report No. 98-247, 98th Cong., 1st Sess. September 28, 1983. Washington, U.S. Govt. Print. Off., 1983./ p. 159.

P.L. 89-329 also authorized assistance for the Library of Congress under part C of title II. The assistance, which was to be provided through a transfer of funds from the Office of Education, was for the acquisition of items valuable to the Library's collections, and for cataloging.

The Higher Education Amendments of 1968, P.L. 90-575, amended the title II programs and extended them through FY 1971. The maximum authorization level for part A was $90 million for FY 1971 and for part B was $38 million for FY 1972.

In 1972, P.L. 92-318, the Education Amendments of 1972, combined authorizations for parts A and B of title II, earmarking 70 percent of the appropriation for part A, and 30 percent for part B. Authorizations for research remained separate. Title II programs were extended through FY 1976; the maximum level was $130 million for parts A and B (for FY 1975) and $40 million for research (for FY 1976). Amendments to title II that year also extended eligibility for assistance for parts A and B; changed the funding distribution under part A; required at least 50 percent of training funds to be allocated to fellowships and traineeships; and authorized a waiver of the part A maintenance of effort requirement in unusual circumstances. The part C program of assistance for the Library of Congress was continued through FY 1975 at a maximum level of $15 million (for FY 1974). The amendments also required an evaluation of the expenditures under part C.

The 1976 Education Amendments, P.L. 94-482, replaced part C with an authorization for the current program to strengthen research library resources. Authorizations, still combined for parts A and B, were extended through FY 1979 at a maximum level of $120 million (FY 1979). The authorization for part C was also through FY 1979 at the maximum level of $20 million.

The last amendments to title II were enacted in the 1980 reauthorization of the Higher Education Act, P.L. 96-374. This legislation reorganized title II programs but retained most of its existing provisions. Authorizations for parts A and B were separated and a new part D was enacted, creating authorization for a nonprofit corporation to study the feasibility of a National Periodical Center.

PROGRAM ISSUES

The Reagan Administration has targetted this program for termination or severe reductions in funding during the past four years. The principal issues that have been raised as the Congress has reviewed the program include the justification for continuing the program and criteria that should be used to determine an institution's eligibility for funds. Each of these major issue areas is reviewed in the following discussion.

Justification for the Program

The Reagan Administration has proposed the termination of the title II library assistance programs, as part of its proposal to terminate all Federal assistance to libraries, in its budget requests for FY 1983 through FY 1985.

The Administration has argued (1) that the resource, development, and training problems which title II programs were originally designed to address have largely been resolved, and (2) that any remaining need for funding can and should be met from non-Federal sources or from other Federal programs. 7/

7/ U.S. Congress. House. Committee on Appropriations. Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations for 1985. Hearings, 98th Cong., 2d Sess. Part 6, Department of Education. Washington, U.S. Govt. Print. Off., 1984. p. 1356.

Congress has rejected the Reagan administration's position to terminate title II programs in successive appropriations bills with the exception of the termination of part A funds in FY 1984. Appropriations committees generally cite the accomplishments under title II.

Criteria for Eligibility

A need test for the Part A--College Library Resources, program has been a continuing concern. As previously mentioned, the lack of a need test and the relatively low appropriations level have led to the wide dispersal of part A funds, and small average awards to participating institutions.

In considering 1980 amendments to the HEA, both the House and Senate authorizing committees addressed the issue of a need test for part A. The committees reached a similar conclusion; because no consensus could be reached on a measure of need, the general support pattern would be continued. Supporters of the continuation of part A grants may reexamine standards for need in light of the termination of funding for the program.

PROGRAM OPTIONS

Major program options include its termination, requiring States, localities, and the private sector to fund these activities; need test for part A fund recipients; and program expansion based on national priorities.

Termination of the Program

As detailed in the "issues" section, one option is to repeal title II library assistance programs. Current programs that would be affected by the repeal of the title would be librarianship training, research and demonstration activities, and assistance for the development of research libraries. Two of the major activities authorized by the title are not funded: Part A--College Library Resources, and Part D--the National Periodical System Corporation.

The Administration has argued that, if title II programs were terminated, other sources of Federal and non-Federal funding would be available for the same purposes. Others might contend that the current beneficiaries of title II grants would have to compete with numerous other groups for the limited funds available from the other sources. As such, the library community would be better off with distinct Federal discretionary funding of nearly $7 million that is currently provided under title II.

Need Test 8/

Rather than providing funds to institutions with adequate library collections, a need test could be used in the calculation of eligibility for funds under part A. Factors might include the adequacy of the current collection for the mission of the institution; program breadth of the institution; matching grants for public, institutional, or donor funds; and some measure of the fiscal capacity of the institution. Another option would be to use components of HEA's title III measure of institutional need as the model for the need test for part A.

As an alternative, the decision to apply a need test could be delayed until a study could be made of the possible impact of the alternative on the

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8/ Some of these concepts were included in H.R. 5240 introduced in the 98th Congress by Representative Paul Simon, chairman of the House Subcommittee on Postsecondary Education.

distribution of funds among libraries. A basic question with any type of need test is whether the intent is to provide varying levels of funds but provide for funds to all institutions, provide "relief" only for those with the most inadequate programs, or provide incentive funds for the creation of a limited number of libraries. Under the latter model, one group might serve as regional lending centers with a comprehensive collection and the other might house exemplary collections in specific disciplines.

Program Expansion Based on National Priorities 9/

Another option would be to redesign the program so that all funds would be targeted on national priority areas specifically oriented toward the general management and operation of higher education liberaries, rather than on collection development. For example, emphasis could be placed on new technologies such as the use of automated retrieval systems for a national periodical reference service or even a national periodical reference system. Another option would be to develop programs designed to increase access for minorities to careers in library sciences. Under this model, activities under part D could be transferred to a foreign language periodical system under title VI of the HEA, and a unit of responsible for all higher education library programs could be created in the Office of Postsecondary Education.

9/ Ibid.

SECTION 12
CONSTRUCTION, RENOVATION, AND EQUIPMENT PROGRAMS

Several Federal programs authorize assistance for construction, renovation, acquisition of equipment, and other capital expenditures at institutions of higher education. Title VII of the Higher Education Act (HEA) authorizes various grant and loan programs, including a revolving loan program, for academic facilities and the acquisition of special research equipment. Title IV of the Housing Act of 1950 authorizes a revolving loan fund for student and faculty housing and related facilities, e.g., dining, student centers, health, and other related services. Special authorizations for specific institutions exist as well.

For FY 1985, the Administration's budget request was $[illegible] million for higher education facilities under programs administered by the Department of Education. The FY 1985 appropriation for these programs was $[illegible] million. The actual Federal contribution is somewhat higher because much of the financial activity occurs through off-budget revolving loan funds. Nevertheless, the amount of aid is relatively small when compared with: (a) the total of $[illegible] billion appropriated for the Department's programs for FY 1985; (b) the $[illegible] billion estimated total expenditures by institutions of higher education during the 1984-85 academic year; or (c) the estimate of $[illegible] to $[illegible] billion in deferred maintenance needs of such facilities, suggested recently by Dr. Edward M. Elmendorf, Assistant Secretary for Postsecondary Education, before the House Committee on Appropriations, March [illegible], 1984. The Administration's position is that the maintenance and operation of these facilities is generally not a Federal responsibility.

In the following analysis, Federal programs are described, issues are discussed, and illustrative Federal options are presented. Although several programs for energy conservation are administered through the Department of Energy and other Federal agencies, this analysis is limited to programs currently administered by the Department of Education.

PROGRAM DESCRIPTION

Grant and loan programs authorized under title VII of the HEA are described first, followed by the College Housing Loans program under title IV of the Housing Act of 1950, and special programs for specific institutions.

Title VII, HEA: Construction, Reconstruction, and Renovation of Academic Facilities

Title VII authorizes assistance for construction, reconstruction, and renovation of academic facilities and the acquisition of special equipment. From the mid-1960s to mid-1970s, Federal funds were split between grant and loan assistance. Beginning in FY 1969, [illegible] have increased in importance. With few exceptions, grants for construction were last made in FY 1973. Under current priorities, emphasis is placed on conservation of energy resources, removal of architectural barriers, environmental protection, research facilities and special research equipment, and removal or containment of asbestos hazards. However, most of the financial activity is related to meeting Federal obligations for loans made in previous years.

Part A of title VII: Grants for Undergraduate Facilities

Description. Grants are authorized for the construction of undergraduate academic facilities under part A of title VII of the HEA. The Federal share of the costs of such facilities shall not exceed 50 percent. Not less than 24 percent of the funds shall be for such facilities for public community colleges and public technical institutes, with the remainder for all other institutions of higher education. Grants must be allotted to States according to a formula that distributes 50 percent of the funds according to State enrollment in institutions of higher education, and 50 percent according to State enrollment in grades 9 through 12. An adjustment is made that provides proportionally larger allotments to States with smaller than average per capita incomes.

Legislative history. This program was originally authorized as title I of the Higher Education Facilities Act of 1963 (P.L. 88-204). This Act responded to the large increases in college enrollments in the early 1960s that came about from the maturation of the post-World War II baby boom. Without Federal assistance for construction, it was felt that existing facilities would have been overwhelmed, resulting in the denial of educational opportunities to the 1960s college generation. Under the original legislation, 22 percent of the funds were reserved for public community colleges and technical institutes. Grants were limited to academic facilities intended for instruction in the natural or physical sciences, foreign languages, mathematics, and engineering. Grants could also be made for library facilities. Projects were required to create or expand enrollment capacities. The Federal share was set at 40 percent for the costs of community colleges and technical institutes, and was not to exceed 33-1/3 percent for other institutions.

Various amendments have been made to the program since 1963. The Higher Education Act of 1965 (P.L. 89-329) removed the restriction on intended facility usage (for natural and physical sciences, etc.) for institutions other than community colleges and technical institutes, and the Federal share for community colleges was changed so as not to exceed 40 percent (rather than fixed at 40 percent).

The Higher Education Amendments of 1966 (P.L. 89-752) increased the reservation of funds for community colleges from 22 to 23 percent for FY 1968, and to 24 percent in following years, and all plans for facility construction were required to comply with standards to ensure access by handicapped persons, as established by the Secretary of Health, Education, and Welfare.

The Higher Education Amendments of 1968 (P.L. 90-575) authorized grants for expanding undergraduate student health care facilities and increased the Federal share on all construction grants to 50 percent.

The Education Amendments of 1972 (P.L. 92-318) transferred the provisions of the Higher Education Facilities Act of 1963, as amended, to title VII of the Higher Education Act of 1965, relabeled title I of the former Act as part A of title VII, and required that no project assisted under that title could be used for religious purposes.

The Education Amendments of 1976 (P.L. 94-482) gave title VII its current name, "Construction, Reconstruction, and Renovation of Academic Facilities." This Act also changed the reservation of funds for community colleges and technical institutes to a minimum of 24 percent (rather than fixed at 24 percent), made technical changes in the definition of the term "construction," and added construction priorities for energy conservation, compliance with the Architectural Barriers Act of 1968, and compliance with Federal, State, and local law regarding environmental protection and health and safety programs.

The Education Amendments of 1980 (P.L. 96-374) authorized the use of construction funds for the removal or containment of asbestos hazards and the removal of architectural barriers for the handicapped (as mandated under the Rehabilitation Act of 1973), restricted the use of funds to alleviating existing shortages of facilities (rather than projected or planned increases in capacity), and required that all title VII program objectives have equal funding priority. The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) prohibited appropriations for construction grants from FY 1982 through FY 1984.

Program data. Part A is authorized through FY 1985, at $100 million for FY 1985, but has not been funded since FY 1973. The authorization and appropriation history is shown in table 12.1. However, the FY 1985 appropriation for part b of title VII (see below) contains language that the funds are available for both undergraduate and graduate facilities. This funding procedure appears to bypass the allocation formula requirements of part A.

Evaluations. There is no recent evaluation of this program.

Part B of Title VII: Grants for Graduate Facilities

Description. Grants are authorized for graduate academic facilities under part B of title VII of the HEA. The Federal share of the costs of such facilities shall not exceed 50 percent. Grants are made by the Secretary on a discretionary basis, with a limitation that payments to institutions of higher education in any State shall not exceed 12.5 percent of the funds available to all States. The focus on graduate facilities, rather than undergraduate, and the use of discretionary grants, rather than a State allotment formula, are the major distinctions between part A and part B.

TABLE 12.1. Appropriation History for Construction Grants for Undergraduate Academic Facilities, Currently Authorized under Part A of Title VII of the Higher Education Act
(In millions)

Fiscal year	Authorization	Appropriation
1964	$230	-0-
1965	230	$230
1966	460	458
1967	475	453
1968	728	400
1969	936	83
1970	936	76
1971	936	43
1972	50	43
1973	200	43
1974	300	-0-
1975	300	-0-
1976	300	-0-
1977	300	-0-
1978	300	-0-
1979	300	-0-
1980	300	-0-
1981	100	-0-
1982	100 a/	-0-
1983	100 a/	-0-
1984	100 a/	-0-
1985	100	-0-
		1964-1985 Total = $1,829

a/ P.L. 97-35 prohibited appropriations for part B of title VII for FY 1982 through FY 1984.

Legislative history. Part B of title VII was originally authorized as title II of the Higher Education Facilities Act of 1963 (P.L. 88-204), and has a legislative history identical to part A of title VII, with the following exceptions. Under the original Act, grants were made on a discretionary basis (rather than by a State allotment formula as under part A). Applications were reviewed by an Advisory Committee on Graduate Education. The Federal share was not to exceed 33-1/3 percent.

The Higher Education Amendments of 1968 (P.L. 90-575) raised the allowable Federal share to 50 percent, abolished the Advisory Committee, and required consultation with a panel of outside experts in considering applications.

The Education Amendments of 1972 (P.L. 92-318) relabeled title II provisions as part B of title VII of the Higher Education Act of 1965.

The Education Amendments of 1976 (P.L. 94-482) authorized the use of part B funds for the construction of "facilities for model intercultural programs."

Program data. Part B is authorized through FY 1985, at $80 million for FY 1985, but has been funded only twice since FY 1970: $22.5 million in FY 1983 and $28 million in FY 1985. The authorization and appropriation history is shown in table 12.2. Funding for FY 1983 carried with it a requirement that funds be spent only for the Center for Advanced Technology at the University of New Hampshire and the Central Library at Boston University. Funding for FY 1985 is available for both undergraduate and graduate facilities, apparently overriding the authorizing statute that stipulates funds for graduate facilities only.

Evaluations. There is no recent evaluation of this program.

TABLE 12.2. Appropriation History for Construction Grants for Graduate Academic Facilities, Currently Authorized under Part B of Title VII of the Higher Education Act
(In millions)

Fiscal Year	Authorization	Appropriation
1964	$25	-0-
1965	60	-0-
1966	120	$60
1967	60	60
1968	120	60
1969	120	50
1970	120	8
1971	120	-0-
1972	20	-0-
1973	40	-0-
1974	60	-0-
1975	80	-0-
1976	80	-0-
1977	80	-0-
1978	80	-0-
1979	80	-0-
1980	80	-0-
1981	80	-0-
1982	80 a/	-0-
1983	80 a/	22.5 b/
1984	80 a/	-0-
1985	80	28
		1964-1985 Total = $288.5

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a/ P.L. 97-35 prohibited appropriations for part B of title VII for FY 1982 through FY 1984.

b/ Funds were required to be spent only for the Center for Advanced Technology at the University of New Hampshire and the Central Library at Boston University.

Part C of Title VII: Direct Loans for Academic Facilities

Description. Part C of title VII authorizes various types of loan provisions for academic facilities, including authorization for new, direct loans; interest subsidies for indirect loans; and loan insurance. The primary purpose of these loans was to assist institutions in meeting unusual increases in enrollments and to support and expand the Nation's research facilities. The loan insurance authority has never been funded, and is not discussed here. Indirect loans are discussed in the following section; direct loans are discussed in this section.

Under part C of title VII, a revolving loan fund is created within the U.S. Treasury for use by the Secretary of Education for the purpose of providing low-cost loans and loan insurance, under the Higher Education Facilities Loans and Insurance (HEFLI) program. Upon application, direct loans may be made to institutions of higher education or to higher education building loan agencies, to pay up to 80 percent of a project's total cost. They must be repaid within 50 years, at an interest rate of no more than 4 percent.

The operation of the revolving fund to service prior year loan commitments is a continuing Federal obligation. The initial sources for the fund were direct appropriations and the proceeds from the sale of certificates of participation through the Government National Mortgage Association (GNMA). Additional sources for the fund have since included repayment of principal and interest from the loans to institutions, collections of defaulted loans, appropriations to cover any deficiencies in the account, and, at times, investment income from unobligated funds in the account.

Disbursements are made from the HEFLI revolving fund account for the expenses of prior year loan commitments and administrative expenses. Expenses of prior year loans represent the difference between the low-cost interest rate charged institutions and the rate paid by the Federal Government for borrowing the funds that support the account. Disbursements are also made for payment of principal for the amortization of GNMA participation certificates. With the commitment in 1981 of two loans totaling $25 million, the unobligated balance of the fund was depleted, and an increase in annual appropriations became necessary to cover operating deficiencies. In FY 1985, $14 million was appropriated for this purpose. Without any new loan commitments, the amount of appropriations necessary to fund operating deficiencies should gradually decrease as existing loans are repaid. In the meantime, this type of Federal obligation is considered a relatively "uncontrollable" budget item.

Legislative history. A program of direct loans for academic facilities was originally authorized as title III of the Higher Education Facilities Act of 1963 (P.L. 88-204), and has a legislative history identical to part A of title VII, with the following exceptions. Under the original Act, loans were made on a discretionary basis and bore interest at one-quarter of a percentage point above the average annual interest rate on all interest-bearing U.S. obligations. Projects assisted through this program had to receive 25 percent of their support from non-Federal sources.

Under the Higher Education Act of 1965 (P.L. 89-329), the interest rate was modified to be the lesser of the previous rate or 3 percent.

Under the Participation Sales Act of 1966 (P.L. 89-429), a revolving loan fund was established in the U.S. Treasury to receive appropriations for construction loans, interest payments, principal repayments, or other money and assets received under the contruction loan title. All construction loans and other required payments were to be made from the revolving fund.

Under the Education Amendments of 1972 (P.L. 92-318), a new program of academic facilities loan insurance was added to assist non-profit private institutions in securing construction loans from non-Federal sources (this part of the HEFLI program has never been funded). The non-Federal share was reduced to 20 percent (from the original 25 percent). Title III provisions were relabeled as part C of title VII of the Higher Education Act of 1965.

Under the Education Amendments of 1976 (P.L. 94-482), a temporary moratorium on the payment of principal or interest could be granted to an institution under specific circumstances.

Under the Education Amendments of 1980 (P.L. 96-374), the minimum interest rate on new loans was raised to 4 percent.

Program data. Since FY 1965, approximately $680 million has supported loans to 660 institutions under the Part C revolving fund. The authorization and appropriation history is shown in table 12.3. Currently, there are 578 outstanding loans, with a total loan volume of $382 million. These data are shown in table 12.4.

Only four new loans have been made since 1975, all initiated by the Congress. In FY 1978, two loans were authorized totaling $7.8 million for the construction of intercultural centers at Georgetown and Tufts Universities. In FY 1981, two additional loans totaling $25 million were authorized, one for a supplementary loan for the Georgetown center project, the other for the construction of a new library at Boston College. These loans were made from the unobligated balance in the HEFLI revolving fund, and therefore do not show up directly in the appropriation table. However, the depletion of the balance has necessitated the significant increase in appropriations beginning in FY 1982 to cover the Federal interest payments on the outstanding loans. New loans have not been made since FY 1981.

TABLE 12.3. Appropriation History for Direct Loans for Construction of Academic Facilities, Currently Authorized under Part C of Title VII of the Higher Education Act
(In millions)

Fiscal year	Authorization	Appropriation
1964	$120	-0-
1965	120	$169.2
1966	120	110
1967	200	200
1968	400	0.9
1969	400	103
1970	400	2.9
1971	400	2.9
1972	50	2.9
1973	100	2.9
1974	150	2.9
1975	200	2.7
1976	200	2.7 a/
1977	200	2.1
1978	200	1.8
1979	200	2.2
1980	200	2.2
1981	80	1.6
1982	80	11
1983	80	20
1984	80	20
1985	80	14.2
	1964-1985 Total =	$678.1

a/ Includes $0.5 million for the transition quarter.

Note: Annual appropriations are not directly or immediately obligated for institutional loans. Rather, they are only one of several sources of income for a revolving loan fund. Actual loans to institutions are made from the fund, as off-budget disbursements.

TABLE 12.4. Direct Loan Commitments, FY 1983 through FY 1985, under Part C of Title VII of the Higher Education Act

Loans	FY 1983	FY 1984	FY 1985
New loans:			
Total number	—	—	—
Outstanding loans:			
Total number	578	578	578
Total volume	$406,634,000	$400,029,000	$381,654,000

Source: Testimony by the Department of Education on the FY 1985 budget request, U.S. House of Representatives, March 28, 1984.

Evaluations. In its FY 1982 annual evaluation report, the Department of Education stated that there have not been any comprehensive studies conducted concerning the overall reconstruction and renovation needs in higher education facilities. However, the Department stated in its FY 1985 budget presentation that the large volume of aid supported by the HEFLI program . . . has met

> national demand and the program has successfully accomplished its objectives. Although a few areas of the country may face temporary shortages of academic space, existing requirements do not constitute a national problem and there is no longer a Federal role in this area.

On the other hand, the Assistant Secretary for Postsecondary Education suggested in the same hearing that, although it is difficult to ascertain accurately the level of need for higher education facilities, the figure may be in the $40 to $80 billion range.

The Administration indicated in its FY 1985 budget request that there were several dimensions to its current policy on HEFLI loans. No new loan commitments are sought, based on the assertion that the program has met its objectives. A credit managment improvement program has been undertaken to increase collections from slow-paying or defaulted institutions. Overall, the policy is to reduce the outstanding loans and use unobligated funds to amortize GNMA participation certificates.

Part C of Title VII: Indirect Loans for Academic Facilities

Description. Under the provisions of part C, annual interest grants are also authorized to reduce the cost of borrowing from non-Federal sources. Institutions or agencies obtain commercial loans to finance facilities, and then obtain Federal assistance for partial payment of the interest charges. Applicants must finance at least 10 percent of the project from non-Federal sources, and be unable to secure as favorable a loan from other sources. Once the Federal commitment is made, there is an obligation to provide the interest subsidy for the life of the loan, not to exceed 40 years. The Federal interest subsidy represents the difference between the interest on the amount borrowed for construction and the interest that would have been required through a new loan under part C. Total interest payments to any State may not exceed 12.5 percent of the funds available.

Legislative history. This program was originally authorized under the Higher Education Amendments of 1968 (P.L. 90-575), as an amendment to title III of the Higher Education Facilities Act of 1963. The substance of the program has changed little since 1968.

Under the Education Amendments of 1972 (P.L. 92-318), the program was relabeled as part of part C of title VII of the Higher Education Act of 1965.

Program data. Since the program's inception in FY 1970, approximately $265 million in Federal appropriations has supported 711 loan commitments. These projects subsidized $1.4 billion in total loan volume. The authorization and appropriations history is shown in table 12.5. No new interest subsidies have been initiated since FY 1974, but there remains a Federal obligation to continue the subsidies for loans made prior to that time. Currently, 621 loans remain in active status, representing $1.2 billion in loan volume. These data are shown in table 12.6.

The total Federal subsidy for FY 1985 is an estimated $24 million, of which $5 million is to be paid from an unobligated balance and $19 million from FY 1985 appropriations. Without new loan subsidy commitments, the amount of the Federal payment should gradually decline as existing loans are repaid. Such payments are considered to represent a relatively "uncontrollable" budget item.

Evaluations. The Administration indicated in its FY 1982 annual evaluation of programs, and restated in its FY 1985 budget request, that its current objective is to meet the Federal commitment on the 625 remaining loans approved prior to FY 1974, and to make no new commitments to subsidize additional loans. There is no recent evaluation of the interest subsidy program.

TABLE 12.5. Appropriation History for Indirect Loans (Annual Interest Subsidies) for Construction of Academic Facilities, Currently Authorized under Part C of Title VII of the Higher Education Act (In millions)

Fiscal year	Authorization a/	Appropriation
1968	—	-0-
1969	—	$3.9
1970	—	11.7
1971	—	21.0
1972	—	29.0
1973	—	14.0
1974	—	3.4
1975	—	-0-
1976	—	-0-
1977	—	-0-
1978	—	4.0
1979	—	29.0
1980	—	29.0
1981	—	26.0
1982	—	25.5
1983	—	25.0
1984	—	24.5
1985	—	18.8
		1968-1985 Total = $264.8

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a/ Such sums as may be necessary have been authorized to be appropriated for each fiscal year since FY 1969. However, there has been a limitation on the amount permitted in new interest subsidies for each year: $6.5 million in FY 1969, $6.75 million in FY 1970, and $13.5 million for each year since.

TABLE 12.6. Indirect Loan commitments, FY 1983 through FY 1985, under Part C of Title VII of the Higher Education Act (Loan volume in millions of dollars)

Loans	FY 1983	FY 1984	FY 1985
New loans:			
Total number	—	—	—
Outstanding loans:			
Total number	630	626	625
Total volume	$1,234.0	$1,208.0	$1,180.0

Source: Testimony by the Department of Education on the FY 1985 budget request, U.S. House of Representatives, March 28, 1984.

Title IV, Housing Act of 1950

Description. The College Housing Loans (CHL) program is authorized under title IV of the Housing Act of 1950. The program is designed to provide assistance to alleviate college student and faculty housing shortages through construction, acquisition, and rehabilitation; to provide student and faculty housing and related facilities; and to promote cost-effective energy conservation through rehabilitation of existing college housing. Currently, new loans are made from surplus funds from the CHL revolving fund; the level of new commitments must be specified in appropriations language. In recent years, such loans have been made primarily for two purposes: rehabilitation for energy conservation, and construction to meet unusually severe, localized college housing shortages.

Under the CHL program, low-cost Federal loans of up to $3.5 million are made to eligible applicants at an interest rate of 3 percent for a period of 30 years (up to 50 years under certain circumstances). There is no matching required to obtain Federal assistance. Eligible applicants include not only institutions of higher education but also certain vocational institutions, teaching hospitals, and public or private non-profit college housing agencies, including non-profit student housing cooperatives and non-profit corporations established solely to provide student or faculty housing.

The CHL program loans are provided through a revolving fund similar to the HEFLI revolving fund under part C of title VII of the HEA. Funds were initially obtained through borrowings by the U.S. Treasury and the sale of participation certificates by GNMA. Additional funds are now supplied through the payment of principal and interest on existing loans and through investment income on unobligated funds in the account. Unlike the HEFLI account, the CHL fund has sufficient annual income both to offset the interest subsidy and to make a limited number of new loans (worth a total of $40 million for the past 3 years). The fund has not required annual appropriations since FY 1983. More than $450 million in GNMA participation certificates will come due during 1987-88; the Department has testified that there should be sufficient funds within the account to retire these debts on schedule, provided that few additional new loans are made prior to that time.

Legislative history. The CHL program was originally enacted in 1950 as title IV of the Housing Act of 1950 (P.L. 81-475). Although repeatedly amended since that time, the form of the initial program was substantially similar to the current one. The initial loan repayment period was not to exceed 40 years, and the interest rate was set at the rate paid on government obligations with maturities of at least 10 years, plus .25 percent. Only public and private educational institutions were originally eligible. Loans were only available for the construction of new housing structures or the improvement of existing structures that were not otherwise adequate for housing use. The initial funds for the revolving account were based on $300 million borrowed from the U.S. Treasury. Appropriations were authorized to pay the difference between the interest and loan principal paid by the educational institutions and the payments due on funds borrowed by the Treasury.

Most amendments since 1950 occurred prior to 1970, and generally concerned changes in the program's authorization ceiling and the amount of interest to be charged borrowers. No increases in the cumulative borrowing authority have been made since 1968; outstanding loans in the CHL program reached a peak in 1969, at $3.8 billion.

Other types of CHL amendments are as follows. In 1955, the CHL program was broadened in scope to include some facilities other than housing, such as student centers, health centers, and dining halls. From 1968, the CHL program was authorized to make indirect loans, for subsidizing commercial loans to institutions, but this part of the program was repealed in 1974.

In 1966, the Participation Sales Act of 1966 (P.L. 89-429) provided for GNMA participation certificates to support the CHL account. A permanent indefinite appropriation was authorized to pay any insufficiencies for GNMA certificates issued prior to 1968; the last appropriation was made in FY 1983 for this purpose, primarily because of the amortization of virtually all such certificates. An annual appropriation was authorized to pay any insufficiencies for GNMA certificates issued in 1968 and 1969, but this was revoked in 1981, by requiring payment for such insufficiencies out of income earned on the revolving fund.

In 1975, the Congress directed the use of CHL funds received in the payment of prior loans for the making of new loans. From FY 1977 through the present, new CHL loans have been made annually using the proceeds from loan payments into the revolving fund. In 1979, the Department of Education Organization Act (P.L. 96-88) transferred administrative authority from the Department of Housing and Urban Development to the Department of Education.

Program data. From an initial borrowing of $300 million by the U.S. Treasury in 1950, the total outstanding CHL program loan commitments reached a peak of $3.8 billion in 1969. Federal appropriations of approximately $305 million have subsidized these loans, representing the difference between the low-cost interest rates charged institutions and the interest paid by the Federal Government to borrow the funds. The appropriations history is shown in table 12.7. No new appropriations have been made since FY 1983; costs of the CHL program have been paid out of the revolving fund since that time. Since FY 1983, the Congress has annually directed that $40 million in new loans be made from the CHL fund, requiring no additional appropriations at this time. Currently, there are 3,450 outstanding loans, representing $2.9 billion in loan volume. These data are shown in table 12.8.

Evaluations. In its FY 1985 budget request, the Adminstration indicated that the CHL program was a low-priority, discretionary program. In FY 1984 and FY 1985, it was requested that no authority be granted for making new loans. (The Congress directed that $40 million of new loans be made available for each of those years.) The Administration asserted that there is no longer a clear need for Federal financial assistance for college housing, based on its projections of declining postsecondary enrollment, a decreasing percentage of college students living in college housing, and a 1982 survey by the American

Council on Education undertaken for the Department of Education showing that only 1 percent of resident students are living in substandard housing. The Administration's longrange goal for the program is to make no new loans, and to pay off existing government loans from the repayment of loans made to institutions of higher education.

The Adminstration's current objective is to use unobligated funds accruing within the CHL account to pay off $450 million in GNMA participation certificates that are coming due for repayment in 1987 and 1988. The Administration also proposed transferring the authority for the CHL program to title VII of the Higher Education Act, making the administrative requirements more consistent with the HEFLI program. At the same time, it would increase the interest charged to borrowers, from the current level of 3 percent to 9 percent. None of these proposals were enacted. The Department of Education has taken steps in recent years intended to streamline the administration of the CHL program, improve the collection of loan payments, amortize existing GNMA obligations with surplus CHL funds, and reduce the overall costs of the program.

TABLE 12.7. Permanent and Annual Appropriation History for the CHL Program, under Title IV of the Housing Act of 1950 a/
(In millions)

Fiscal year	Appropriation b/	Fiscal year	Appropriation
1967 permanent	$1.5	1976 permanent	$0.4 c/
annual	—	annual	16.5 c/
1968 permanent	12.3	1977 permanent	0.4
annual	8.9	annual	12.6
1969 permanent	12.1	1978 permanent	0.2
annual	41.8	annual	10.3
1970 permanent	10.6	1979 permanent	0.2
annual	42.6	annual	13.1
1971 permanent	9.4	1980 permanent	0.2
annual	30.5	annual	13.6
1972 permanent	9.3	1981 permanent	0.3
annual	13.6	annual	—
1974 permanent	0.4	1982 permanent	0.2
annual	12.9	annual	—
1975 permanent	0.4	1983 permanent	(c/)
annual	14.8	annual	—

Total permanent and annual appropriations, FY 1967-FY 1983 = $302.5 million.

a/ Permanent appropriations from FY 1967 to FY 1983 paid for insufficiencies related to GNMA participation certificates issued in 1967; annual appropriations from FY 1968 to FY 1980 paid for GNMA certificates issued in 1968 and 1969.

b/ From FY 1950 through FY 1966, appropriations were neither authorized nor required. Loan commitments were made from borrowings from the U.S. Treasury and operating expenses were paid from the CHL revolving fund.

c/ Amount was less than $0.05 million.

Note: Annual appropriations are not directly or immediately obligated for college housing loans. Rather, they are only one of several sources of income for a revolving loan fund. Actual loans to institutions are made from the fund, as off-budget disbursements.

TABLE 12.8. CHL Program Loan Commitments, FY 1983 through FY 1985, under Title IV of the Housing Act of 1950 (Loan volume in millions)

Loans	FY 1983	FY 1984	FY 1985
New loans:			
Energy conservation	15	15	(a/)
Housing	13	13	(a/)
Total loans	28	28	(a/)
New loan commitments	$40.0	$40.0	$40.0
Outstanding loans:			
Total number	3,394	3,422	3,450
Total volume	$3,025.5	$2,993.8	$2,949.9

a/ Data are not available.

Source: Testimony by the Department of Education on the FY 1985 budget request, U.S. House of Representatives, March 28, 1984.

Special Programs for Specific Institutions

In a number of instances in recent years, the Congress has authorized or funded special programs or projects that name a specific institution of higher education and include construction costs as part of the mandated activity. This discussion is limited to programs under the administrative jurisdiction of the Department of Education.

Some of these programs have nominally been within existing construction authority, such as the FY 1983 appropriations language that specified $22.5 million in construction grants under part B of title VII of the HEA, but restricted the funds to specific projects at two institutions--the University of New Hampshire for a center for advanced technology and Boston University for a central library. Appropriations language in FY 1978 directed that two new direct loans be made under part C of title IV, with $7.8 million in funds restricted for the construction of intercultural centers at Georgetown and Tufts Universities. In FY 1981, similar language directed loans totaling $25 million that were restricted to supplementary funds for the intercultural center at Georgetown University and the construction of a new library at Boston College. In these cases, funding was made under existing program authority, but standard program procedures for competitive application and demonstration of need were bypassed by specific appropriations language naming the institutions that would be funded.

In other recent cases, the authorization language itself names specific institutions and programs, leaving the actual amount of funding but not the choice of institutions up to appropriations language. In the 98th Congress, two separate pieces of legislation followed this procedure. Title III of the Library Services and Construction Act Amendments of 1984 (P.L. 98-480) authorized a total of $22 million for specific projects at four institutions--the construction of a new library at the University of Hartford ($6.5 million), the construction of a human development center at the University of Kansas ($9 million), the renovation of physical facilities at an institute of government at the University of Georgia ($3.5 million), and the development of an institute of public affairs at the University of Massachusetts ($3 million). All of these projects have been fully funded under FY 1985 appropriations. Title V of the Human Services Reauthorization Act (P.L. 98-558) authorizes such sums as may be necessary, but not to exceed $6 million, for the construction and related expenses for a Center for Excellence in Education at Indiana University. No funds have yet been appropriated for this project.

Appropriations and authorizations for these special projects were not in the legislation as introduced, but were added as amendments either during the committee markup or during floor deliberations. Virtually no background information is available in hearings, committee reports, or floor discussion..

PROGRAM ISSUES

The backlog of construction needs for educational institutions, including deferred maintenance, educationally obsolete facilities, and inadequate science and research equipment and facilities is one facet of the problem related to the nation's infrastructure. As such, it has received some attention in recent years, but as with other aspects of this problem, the likelihood of a Federal response may be small because of the projected cost, mounting budget deficits, and pressures from other programs. Several of Federal education programs contain authorizations for construction, but Federal construction funds for educational facilities have been very limited. Reasons include: (1) philosophical and legal contentions that education is a responsibility of the respective States and institutions rather than the Federal Government; (2) a lack of consensus on the extent or distribution of need; (3) difficulties in developing national standards for use in determining the adequacy of existing facilities and the need for new facilities; and (4) the issue of whether Federal funds should be allocated to all institutions, developing institutions, or nationally recognized "high quality" institutions.

Background

Historically, Federal programs for the construction of education facilities have been limited to special purposes such as science and engineering laboratories, college housing loans, vocational education facilities, disaster relief, and public works projects during the depression. Early legislation that provided direct or indirect support for educational facilities includes the Northwest Ordinance of 1787, the original land-grant college legislation under the 1862 Morrill Act, and the Smith-Hughes Act of 1917 for vocational education facilities. During the depression of the 1930s, educational facilities were constructed through Federal public works programs. The result was new facilities, but the merger of the joint needs to resolve the unemployment problem and to replace obsolete buildings appears to have contributed to the Federal Government's involvement.

A major issue has been the degree to which the Federal Government has an interest in ensuring that educational facilities are adequate in terms of both space and equipment. One position is that the Federal Government, unhampered by State boundaries and local jurisdictions, possesses the taxing flexibility needed to provide an equitable distribution of the needed funds. An opposite position is that education is a State and local or institutional, rather than a Federal, responsibility. Even if action should be contemplated, the budgetary impact of a general response might be considered excessive because of mounting budget deficits and pressures from other programs.

Advocates for Federal assistance for educational facilities stress that deferred maintenance, obsolete equipment, and the general inadequacy of many educational facilities have resulted in a backlog of needs. Even though enrollments in higher educational institutions have been declining, the 1980 U.S. Census data project a mixed national pattern of growth, stability, and decline in different regions and localities. The backlog and enrollment projections coupled with the unequal distribution of wealth among States and higher educational institutions have been used to justify Federal support for facilities if equal educational opportunity is considered to be a desirable national goal. A point of philosophical debate is whether the Federal Government should assume a residual responsibility to provide States and localities with needed funds to support a program when currently available resources are inadequate. In discussions of the relative merits of Federal participation, questions have been raised about the appropriateness of payments being adjusted on the basis of financial ability, methods for making such adjustments, and procedures for making objective determinations of the need for facilities.

Advocates for higher education stress the importance of educational quality to America's continued economic growth and world trade competition and the key role that higher education plays in increasing access for underrepresented groups and providing opportunities for upward social and economic mobility. In discussions of possible Federal options, especially during a period of limited resources, one major issue is whether Federal funds should be used to develop or maintain centers of excellence in established institutions, or used to upgrade facilities in developing institutions. In the late 1960s and early 1970s, as a result of the major debate over the appropriate Federal role in higher education, legislation was enacted to focus funding on a comprehensive program of student grants and loans, rather than aid for the operation of institutions.

Federal assistance has been enacted in the past 30 years for specific types of facilities related to institutions of higher education. Examples include funds for science and engineering laboratories, or instrumentation, and specialized research facilities that have been constructed as part of research projects funded by various Federal agencies.

Grants for research facilities typically have been associated with specific research projects. For example, from 1952 to 1982, the National

Science Foundation (NSF) funded research grants in excess of $13 billion. 1/ A portion of these funds was used to upgrade science and engineering facilities in various higher education institutions. Another example is in the various nuclear research laboratories located at various universities throughout the Nation.

Information is not available concerning the total amount of funds used for construction of educational research facilities from various Federal research projects, but during FY 1980 and FY 1981, research grants to higher education institutions funded by the NSF included approximately $187 million for instrumentation (scientific and engineering laboratories and equipment). 2/ The NSF also administers the Minority Institutions Science Improvement Program funded at the level of $4.8 million in both FY 1983 and FY 1984. In FY 1983, the Department of Defense announced a $30 million program to upgrade academic research instrumentation and received over $600 million in proposals. 3/

Legal/Philosphical Issues

Legal or philosophical concerns about the appropriate Federal role in education are rooted in the Federal Constitution and in the constitutions of the individual States, for education traditionally has not been viewed as a Federal function. The role of the Federal Government has largely been one of

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1/ Information obtained by telephone from staff of the National Science Foundation, January 11, 1984.

2/ Ibid.

3/ 1984 National Science Foundation Authorization (H.R. 2066). Hearings before the Subcommittee on Science, Research, and Technology. Committee on Science and Technology. 98th Cong. 1st Sess. February 23, 25, and March 1,8, and 10, 1983. p. 408. Washington, D.C.

data-gathering, reporting, and stimulating rather than of being an active partner in supporting the construction and operational costs of institutions of higher education.

The fear that Federal aid would bring Federal control and the legal questions relating to the appropriate role of the Federal Government resulted in limited and special purpose programs for most of the Nation's history. However, Federal aid for construction has perhaps been less of a legal or philosophical issue than assistance for instructional costs. When a renewed effort was made in the 1960s to provide Federal aid for education, the Higher Education Facilities Act of 1963 was enacted 2 years before the more general assistance programs of the Higher Education Act of 1965 or the Elementary and Secondary Education Act of 1965. Even though these latter programs have some facets of general applicability, the preponderance of aid for higher education has been for students rather than institutions. At the elementary and secondary level, Federal assistance has primarily kept its categorical nature until the passage of the (relatively) small block grant program under chapter 2 of the Education Consolidation and Improvement Act of 1981. Given these trends, some of the traditional questions concerning philosophical and legal barriers to Federal aid for education may have been settled; however, the Federal Government provides minimal support for the construction of educational facilities.

Program/Administrative Issues

The program/administrative issues of providing funds for school construction relate to several areas--(1) purpose; (2) program administration; (3) general or limited participation; and (4) adequacy of data.

Purpose

Federal efforts to fund the construction of educational facilities might take several forms such as to: (1) improve all facilities; (2) limit the Federal funds to the improvement of specific areas such as science laboratories or the purchase of state-of-the-art equipment; (3) upgrade facilities in developing higher education institutions or in poor States; (4) maintain centers of excellence in selected educational institutions; (5) provide relief from high interest rates for all types of educational institutions through a Federal loan program, interest subsidies, or a guarantee of the indebtedness; or (6) provide a special purpose revenue sharing program between the Federal Government and State or local governments.

Program Administration

Direct administration of education programs from the Department of Education at the Federal level to educational institutions has been opposed by various groups. Some opposition appears to be based on concerns about the size of the required Federal bureaucracy, rigidity of national standards, limitations on the capacity to accommodate local problems, and the lack of administrative flexibility in the operation of programs. Other groups do not favor decentralized administration of programs because they seek consistent administration of Federal programs and fear that controls will not be sufficient to ensure that funds are distributed equitably and programs are operated in accordance with legislative intent. This latter concern has resulted in requirements in many Federal aid programs for the development of State plans that must be approved by the appropriate Federal agency before funds are distributed to the State.

Participation

Issues related to general or limited participation suggest that all educational institutions might not participate in the program. Funds might be made available on a general basis through flat grants or on the basis of ability to pay, or they might be restricted to those States or educational institutions with "need" as measured by outstanding debt or construction projects to replace insufficient or inadequate facilities. Questions concerning the appropriateness of providing construction funds to educational institutions with no debt or no need for new facilities apply to this discussion. The level of Federal funding likely will influence the decisions on these issues.

Adequacy of Data

Issues related to the adequacy of data include the procedures used to determine: (1) the number of students upon whom the allocation would be based; (2) changing demographic patterns; and (3) the policy choices about student access to programs.

If construction funds are distributed on a head count basis, census data might be used, but they include all persons and do not indicate which are enrolled. A problem with using this approach is that all persons of college age do not attend colleges and many attend out of State institutions. If funds are to be allocated on the basis of enrollment, issues include whether allocations would be based on the current enrollments or projected enrollments.

Program shifts and changing employment opportunities can influence facility needs. Given the cost of constructing facilities and the ease of transportation in most of the Nation, questions of appropriate proximity and commuting distances for specialized programs may merit reexamination in terms of student access to programs.

Cost Issues

In view of the current Federal budget deficit and increasing demands from other programs, the possible cost of $40 to $80 billion would appear to be a major barrier in efforts to enact a general construction program for all educational institutions. Other cost-related problems with determining the level of fiscal need for construction include the lack of either a national or a State data base on school facilities, questions related to whether programs should be directed toward renovation and remodeling or replacement, the possibility of funds being restricted to updating laboratory facilities and equipment, and the absence of accepted criteria that might be used in determining the total fiscal need.

Compatability and accuracy of data about facility needs become significant problems when efforts are made to determine the facility needs on a State or national scale. State surveys and simple questionnaires might be used to secure certain basic information relating to existing facilities and ratios of students to available classrooms, laboratories, and dormitories. These data would present a pattern relating to the age, size, and general condition of existing facilities, but the validity of the data might be questionable because of: (1) the lack of nationally accepted standards that might be used in classifying existing buildings as to their instructional value; and (2) the difficulty in obtaining reliable and valid assessments of a building's functional efficiency or utility. Differentiating between obsolete facilities needing repair or replacement and similar facilities whose educational value has ended may be difficult at the Federal level.

Data estimation problems were illustrated in the recent testimony and information related to the proposals for Federal programs to improve science, mathematics, and engineering programs considered in the first session of the

98th Congress. Estimates of the funds required to update scientific and engineering laboratories and equipment in "leading higher education academic research institutions" have ranged from $1.0 billion to $4.0 billion. These estimates were based on a small sample of institutions and self-assessments of need; however, their validity did receive some support in a recent program administered by the Department of Defense in which $600 million in requests was received during a competition for a $30 million program. 4/

Limited-Funding Issues

The current policy of limited Federal funding for construction and facilities in higher education institutions raises different kinds of issues. Deteriorating facilities and equipment may put in question the quality of higher education and the skills of the Nation's workforce. Although these facilities are a State and local responsibility, they may also become a national and Federal issue through inaction at the State and local level.

It would also appear that limited facility funds may make the Congress more vulnerable to direct appeals to meet the needs of individual institutions. In recent years, both authorization and appropriation laws have contained funds (or authority) restricted to special programs at specific institutions. These actions raise questions regarding the determination of need and the degree of access by institutions to the Congress that might not be raised about a program administered by the Executive Branch that had sufficient funds to meet at least the most urgent facility needs in higher education.

4/ 1984 National Science Foundation Authorization (H.R. 2066). Hearings before the Subcommittee on Science, Research, and Technology. Committee on Science and Technology. House of Representatives. 98th Cong., 1st Sess. February 23, 25, and March 1,8, and 10, 1983. p. 405-417.

PROGRAM OPTIONS

Options for Federal involvement in educational facility needs might include direct or indirect support activities. Direct support could provide for student-based grants to institutions, complete support on a project basis, loan guarantee programs, or interest subsidies. Indirect support activities could take various forms such as research and development, data gathering, and information dissemination.

Direct Support

Various programs could be initiated under this choice, but all likely would require substantial Federal revenues, and some types of aid could be in the multi-billion dollar range. Federal costs might be limited or reduced by providing loans rather than grants, by restricting eligibility to certain types of institutions or certain types of facilities, and by increasing the amount of cost sharing or matching requirements by States or institutions.

One major issue would be whether prior effort would be recognized in allocation procedures, or if funds would be allocated only to those institutions with a demonstrated need for facilities. If the latter should be the case, institutions or agencies that have exerted sufficient effort to have met all facility needs might be excluded from participation in the program. Those institutions that have delayed construction or remodeling of facilities would be able to benefit from the program.

Grants could be made on a matching or cost-sharing basis, but the less-wealthy educational institutions would have to make a greater fiscal effort in order to provide local matching funds. Institutions with the greatest need would be among those least able to benefit from the program. An option would be for the funds to be equalized on the basis of ability to pay, or even limited to specific types of institutions such as those that might be classified as urban or developing, or those serving students with special needs. If the goal is to equalize educational opportunity, adjusting aid in this manner would serve to decrease disparities among institutions.

A separate issue is whether the program would be administered from the Federal level, or by or through some State-level agency. Multi-level arrangements may provide greater flexibility in program administration and reduce operational problems, but the efficiency of the program in meeting national priorities may be sacrificed.

Another issue is the establishment of minimum building standards, including both the quantity of space and the quality of facilities. Aid could be limited only to those institutions whose facilities do not meet a minimum standard. An option would be to provide variable payments for those institutions that agree to bring their physical plant up to the minimum standard. This approach might create an incentive for efficiency in construction, but more importantly would have the potential of reducing the institutional disparities in educational facilities. A related issue is that national standards might lead to a less costly program, but might also involve unwarranted or undesirable Federal intrusion into the educational process.

Grants-in-Aid

Federal grants on a per pupil basis possibly constitute the simplest avenue for Federal support for construction of higher educational facilities, but funds might be allocated to institutions of higher education with no current facility needs. Grants could be made to States and administered on an approved cost or approved project basis, but State agencies likely would be assuming an additional administrative burden and also exercising some degree of discretion in the operation of the program. Issues include the fact that direct grants may be the most costly of all forms of Federal aid, and problems related to differences in costs of construction among and within States.

The cost of a direct grant program may be the reason that few such grants have been made in recent years; a grant program has been authorized under parts A and B of title VII of the Higher Education Act, but only twice since FY 1973 has this authority survived the congressional budget and appropriations process. In the shortrun, direct facility grants may have a bigger impact on the Federal budget than interest subsidies which are spread out over time; however, the relief for institutions of higher education is more immediate.

Educational Facilities Loan Agency

A Federal educational facilities loan agency could make loans on either a direct basis, or through Federal guaranteed loans or interest subsidies for loans made by the private sector. The program could be similar to those currently operating under part C of title VII of the Higher Education Act or the College Housing Loans program under title IV of the Housing Act of 1950. The relative cost of this option would be considerably less than a grant program, and some relief would be provided to all institutions in a tight money market, and especially to impoverished institutions whose fiscal resources may not be adequate to provide needed facilities. Experience suggests that this program could function through a centralized Federal agency, but it could also function through States whose operational procedures had been approved in accordance with Federal guidelines. Even at a relatively lower funding level than direct grants, the Federal cost would likely remain an issue, as would questions of minimum standards, and matching or cost sharing requirements.

A loan program may not provide all the necessary fiscal relief since repayment funds must come from the same revenue sources used for current operations. The difference is that loan funds permit the burden to be deferred over a period of years. If desirable, the repayment burden on institutions could be reduced further by the provision of interest subsidies.

One option might be for States to establish a State loan program, loan agency, or fiscal authority for construction in each State. Federal advances then could be made available only if a substantial amount of State or institutional funds were provided. Construction of facilities for meeting special needs (e.g., engineering, science, or vocational programs) could be encouraged by increasing the base amount or the maximum amount per student for classrooms specifically used for these purposes by a fixed percentage, for example, by 50 percent. A State could be required to increase the loan to qualifying institutions by the same amount. A potential disadvantage of this option is that State or local jurisdictions may not have the revenue flexibility required to participate in loan programs. Overall, the total long-term indebtedness of States and localities exceeded $260 billion in 1980. 5/

A Federal construction loan program may have difficulty in bypassing State and local debt limits. The program would require significant amounts of funds, either from appropriations or a bonding authority. Another disadvantage of the proposal is that additional institutional funds would be for debt service, and an increased fiscal burden would be placed on institutions, possibly resulting in minimal relief for institutions with the greatest need. Another problem is that any sizable loan program might inflate the bond market interest rates.

5/ Statistical Abstract, 1982-83. Washington, U.S. Govt. Print. Off. 1983. p. 286.

Cost-Sharing Payments

A program of cost-sharing payments could be initiated to encourage the construction of special facilities such as classrooms for vocational facilities, science laboratories, or high-technology equipment. A disadvantage is that educational institutions with limited fiscal resources would be unable to receive maximum benefits through this approach unless it included some provisions for equalization. Use of a percentage or matching method of distributing the cost-sharing payments would result in funds being allocated only to institutions with sufficient fiscal ability and resources to provide the local share, contributing to further disparity in facilities among institutions with varying financial resources.

Indirect Support

Other less costly Federal approaches might be enacted, such as the collection of information related to the adequacy and projected need for educational facilities or the financial condition of research and developmental activities in institutions of higher education.

State-by-State Survey

To secure a common core of information about the conditions of facilities, to meet the continuing need for compatible and current data concerning the condition of facilities among States, and to increase the number of technical personnel to assist at the State level, a periodic survey could be supported with Federal funds. New data must be gathered periodically because emerging educational programs and economic and technological changes contribute to rapid obsolescence of assessments of facility needs. The total cost for this program need not be excessive, and the resulting data could provide a current assessment of needs on a regular basis.

Planning Grants

Federal grants might be made for: (1) determining needs, and (2) planning educational facilities. These activities should strengthen and improve the planning capacities of State agencies and individual educational institutions. Potential areas of research include technological changes, employment needs, population migration, concentrations of population in urban and suburban areas, site location, specific educational needs, economic considerations, cost, optimum sizes, and flexibility of facilities to accommodate changes in instructional arrangements.

For the program to be effective, either the Federal Government or the individual States likely would have to provide some type of technical assistance and standards for the assessment of facility needs so that data from institutional plans might be used in determining the adequacy of existing facilities and construction needs. Additional problems might be encountered if educational institutions were required to develop the plans in cooperation with different types of educational institutions and public agencies.

Developmental Activities

Various types of special purpose aid might be used to stimulate the development of specific educational programs through support for "model" or "lighthouse" facilities which recognize learning and environmental interrelationships and technological developments, e.g., individualized instruction, large and small group instruction, science and engineering laboratory facilities, vocational education and training, or teacher education. Funding might provide for a limited number of "model" projects, but the difficulty likely will come in determining where the projects will be located. For example, will each State have a "model" project; will the project be located in geographical areas where the need for that type of project is greatest; will projects be funded only in "quality" institutions; will projects be funded only in fiscally poor or "developing" institutions; what commitment will be required of the receiving institution; and will cost-sharing be required as a condition of receiving funds?

Facility Design

Another method of indirect support would be to provide funds for improving the design of educational facilities. Future developments in educational programs may be difficult to project, but present knowledge concerning scientific equipment, computer technology, audiovisual methodology, and programmed learning might suggest new approaches for educational facility planners.

Very limited information is available concerning the status of facilities in institutions of higher education. Planning expertise has increased considerably in recent years, but educational facility planners must often focus on immediate problems to the neglect of research and developmental activities. As an effort to resolve this dilemma, Federal funds could be used as incentives for design and construction of facilities that would incorporate the latest educational technology and instructional approaches.

Clearinghouse

A common role of the Federal Government through the Department of Education has regularly been to provide funds for disseminating current state-of-the-art information about research findings and educational practices by supporting an information clearinghouse. The assumption is that these activities will promote the construction of functional educational facilities. Information could include improvements that might be made in construction planning processes, techniques, and materials and also alternative designs that will permit more efficient utilization of educational facilities. In fulfilling its traditional research gathering and dissemination role, the Department of Education could identify practices and trends.

SECTION 13
OVERVIEW AND GENERAL ISSUES ON SPECIAL EMPHASIS PROGRAMS

Special emphasis programs in the Higher Education Act (HEA) appear to have been authorized for dual reasons. First, specific national postsecondary education problems have been identified, and assumed short-term authorizations have been provided for Federal pilot or demonstration programs in response to the problems. Typically, the assumption appears to have been that programs and funding would be for short duration, terminating either when the problem was resolved or when the programs have become an integral part of the ongoing offerings in higher education institutions. Second, programs can be justified to address the particular needs of a population group or national problem, and the issue is of sufficient importance to justify continuing support from the Federal Government. The distinction between these two groups is often blurred, and advocates typically contend that their program should be a matter of ongoing national concern.

Examples of short-term programs include the various HEA title V teacher education programs discussed in Section 15. Programs have been funded and terminated, and new programs have been authorized in response to continuing interests in improvement of the Nation's teaching force as one component of the programs for reform of elementary and secondary education. The title VI international education program discussed in Section 17 is also an illustration of a program, that some would view as temporary, but has been authorized in an effort to address a specific national problem.

Programs that might be classified in the continuing support category include special programs for students from disadvantaged backgrounds (TRIO) which are discussed in Section 14, cooperative education summarized in Section 16, continuing education discussed in Section 19, and the Fund for Improvement of Postsecondary Education (FIPSE) reviewed in Section 18. Each program is currently funded except continuing education; funding for the latter program was terminated by the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). The purpose of the TRIO programs is to improve access and increase the possibilities of success for students from disadvantaged backgrounds in higher education; this program is a part of title IV and was designed to supplement the Federal student assistance programs. Cooperative programs (combining education and employment) receive nominal support, but the assumption appears to be that the continued Federal presence is needed to serve as a stimulus for the program's further expansion. Continuing education has continued to be confused with the Adult Education Act, and questions have been raised about the need for both programs and the potential duplication between them. FIPSE represents a different kind of Federal effort; in essence, this program overarches both reasons for Federal special emphasis programs. FIPSE funds are used as a stimulus for change in higher education, but funding of individual projects is on a short-term basis. The assumption is that FIPSE will provide "risk capital" that can be used as "seed money" to assist individual faculty members and departments as contrasted to the title III programs for entire institutions.

Programs and issues related to research and development in higher education are discussed in the last section (Section 20). In contrast to most of the other sections, the programs discussed in Section 20 are not authorized under a specific HEA title, and research and development in higher education has some of the same characteristics as FIPSE, but on a much larger scale, in that the particular projects are of less importance than the continued level of support for a broad category of activities.

Issues related to these special emphasis programs include the need for continued funding after sufficient time has elapsed for the programs to become a part of the ongoing programs in higher education institutions, reservations about the possibility that the funded programs might result in Federal control over higher education programs, and the justification for inclusion of a particular special emphasis program in the Higher Education Act in contrast to its being a component of another Federal program specifically related to the subject. An additional issue with this type of program is whether the Federal effort should be short-term with a phase out of the Federal funds or should continue on virtually an indefinite basis. Related to this latter issue is the question of whether the appropriate Federal role is to fund research/developmental efforts, pilot/demonstration programs, or continuing instructional programs. If the last option should be selected, then the issue becomes which institutions will receive the Federal funds. The unresolved issue becomes whether the funds will be for developing institutions, established institutions of recognized quality, or all institutions.

One legislative option for special emphasis programs is termination of current programs under the assumption that: (1) institutions will assume responsibility for the program from their own funds; (2) the program will be incorporated into another Federal program; or (3) the need for the Federal funds no longer exists. A second option is to provide additional funding for programs that are perceived to be of immediate national priority. A third option would be to expand the authorization and to increase funding for FIPSE so that demonstration and dissemination efforts would be expanded to cover a broad range of higher education concerns. The intent would be to use this program as the vehicle for promoting innovation and change in higher education.

SECTION 14
SPECIAL PROGRAMS FOR THE DISADVANTAGED (TRIO)

The Special Programs for Students from Disadvantaged Backgrounds are five programs authorized by title IV, part A, subpart 4 of the Higher Education Act of 1965 (P.L. 89-329)--Talent Search, Upward Bound, Special Services for Disadvantaged Students, Educational Opportunity Centers, and Staff Development Activities. This array of programs is popularly known as the TRIO programs. They were a part of the legislative program associated with the Johnson Administration's War on Poverty and constitute support services for the sizeable Federal student aid programs focused on economically-disadvantaged students.

This section provides the following data and analysis for each program--a description of the current structure of the program, a review of that program's legislative history, an assessment of selected program data, and an analysis of the most salient evaluations (if any) performed on that program. Preceding the analysis of each program is a brief introductory section providing the general intent and focus of the authorizing statute. This section concludes with a summary of the major issues and selected options that may merit consideration during reauthorization.

The authorizing statute for the TRIO programs provides that, in general, these programs are intended to identify qualified disadvantaged individuals, prepare them for postsecondary education, provide special services for those qualified individuals currently pursuing postsecondary education, and train persons who are providing, or will provide, services under these various programs. Institutions eligible to secure Federal assistance and carry out the TRIO programs are higher education institutions, public and private agencies and organizations, and "in exceptional circumstances" secondary schools. The statute specifically requires the Secretary of Education to "consider the prior experience" in these programs of grant applicants. A single, overall authorized appropriation level is provided for the TRIO programs.

Table 14.1 below provides the annual authorized funding level and appropriation for the TRIO programs since FY 1980. Funding data for each separate program are provided in the analysis of each program. In addition, two terms are defined for all TRIO programs--first generation college student (a person neither of whose parents completed a bachelor's degree), and low-income individual (a person whose family's taxable income does not exceed 150 percent of the poverty level as determined by the Bureau of the Census).

TABLE 14.1. TRIO Programs: Authorization and Appropriation Levels
FY 1980-1985
(In millions of dollars)

Fiscal year	Authorization	Appropriation
FY 1980	$200	$147.5
FY 1981	200	156.5
FY 1982	165	150.2
FY 1983	170	154.7
FY 1984	170	164.7
FY 1985	"Such sums as necessary"	174.9

Source: Department of Education, Annual Evaluation Report, fiscal year 1983; FY 1984 and FY 1985 budget justifications. Conference Report on H.R. 6028 (House Report No. 98-1132). Dollar amounts rounded to nearest hundred thousand.

As will be developed more fully below in the course of each program's assessment, the TRIO programs were initiated in the mid 1960s when the Upward Bound program was funded by the Office of Economic Opportunity under the authority of the Economic Opportunity Act of 1964 and the Talent Search program was authorized in 1965 with the enactment of the Higher Education Act. 1/ Since that time, new programs have been added to the original set of programs; eligibility criteria have been more strictly defined; authorized funding levels have grown; and authorized activities appear to be more precisely identified as well as extended over a wider range.

TALENT SEARCH

The Talent Search program (section 417B) is intended to: (1) identify qualified youth who have potential for postsecondary education and encourage them to complete high school and pursue postsecondary education; (2) publicize student financial aid programs available at the postsecondary level; and (3) encourage individuals who have dropped out of secondary or postsecondary education to return to school. In addition, the statute authorizes Talent Search projects to provide tutorial services to eligible youth if similar services are not available to them from other TRIO-supported projects.

To be eligible to conduct a Talent Search project, 2/ an applicant must provide that: (1) not less than two-thirds of the individuals to be served

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1/ Greenleigh Associates, Inc. Upward Bound 1965-69: A History and Synthesis of Data on the Program in the Office of Economic Opportunity. Prepared under contract with the Department of Health, Education and Welfare. February 1970. p. 22 et seq.; Section 408 (Contract to Encourage Full Utilization of Educational Talent), Title IV, Higher Education Act of 1965 (P.L. 89-329).

2/ Types of institutions eligible to apply are described above.

under the project will be low-income individuals who are potentially first generation college students; 3/ (2) participants will have either completed 6 years of elementary schooling or be at least 12 years of age but not over 27 years of age (unless these limits "defeat the purposes" of the project); (3) participants do not have available to them services from another Talent Search project or an Educational Opportunity Center.

Legislative History 4/

The Talent Search program was the first TRIO program to be authorized within the Higher Education Act. When included in the Higher Education Act of 1965, the program was seen as important for the success of the Educational Opportunity Grants, a program of need-based postsecondary student aid grants administered at the college campus level, also being established by the Act. The sponsoring committees in both Houses of Congress asserted that it was crucial for higher education institutions to identify and encourage exceptionally needy high school students to attend college. 5/

The Higher Education Amendments of 1968 (P.L. 90-575) shifted the focus of the program somewhat, adding "cultural need" as an optional eligibility characteristic for project beneficiaries and specifying that beneficiaries

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3/ The terms "low-income individual" and "first generation college student" are defined above in the opening portion of this section.

4/ The legislative history outlined here touches only on the most significant legislative amendments to the program; it relies on the CRS memorandum "Special Programs for Students from Disadvantaged Backgrounds (TRIO Programs)" written by Susan Boren, January 1983.

5/ U.S. Congress. House of Representatives. Higher Education Act of 1965. Report to Accompany H.R. 9567. Report Number 621. 89th Congress, 1st Sess. July 14, 1965. p. 27; U.S. Congress. Senate. Higher Education Act of 1965. Report to Accompany H.R. 9567. Report Number 673. 89th Cong., 1st Sess. September 1, 1965. p. 39-40.

must have exceptional potential for postsecondary education. In lieu of the authority of "such sums as necessary" provided to Talent Search since 1965, the Amendments established a single appropriation authorization level for the Talent Search, Upward Bound and Special Services for Disadvantaged Students programs now authorized under this section. The authorized funding level for all three of the programs was $10 million for FY 1969; $56.68 million for FY 1970; and $96.0 million for FY 1971.

The Education Amendments of 1972 (P.L. 92-318) eliminated a $100,000 cap on the funding for individual Talent Search projects that had been in the statute since 1965, and expanded the range of institutions eligible to apply for funding to include institutions offering vocational and career education programs and, in exceptional cases, secondary schools. With regard to the annual authorized appropriation, the amendments set that level at $100 million a year for the period FY 1973 through FY 1975. This funding level was also to cover the costs of the Educational Opportunity Centers, newly authorized by the Education Amendments of 1972.

The Education Amendments of 1976 (P.L. 94-482) amended the authorizing provisions for the TRIO programs to add students disadvantaged because of severe rural isolation as a new target population; added to the Talent Search program a new focus on individuals who delayed pursuing a postsecondary education; and permitted up to one-third of Talent Search participants to be from other than low-income families. The annual authorized funding level for all TRIO programs was doubled to $200 million through FY 1979.

The Education Amendments of 1980 (P.L. 96-374) amended the Talent Search program, giving it its present structure. The low-income and first generation college student priorities were added, as was the authority to provide tutorial services to specified participants. The intention behind the designation of low-income status and first generation college attendee status was to define the target population more precisely not only for the Talent Search program, but also for all of the TRIO programs. The House Education and Labor Committee and Senate Labor and Human Resources Committee both characterized these as clarifying changes that relied on two factors with a "very high correlation with college completion." 6/

Program Data

Although the annual appropriation authorization for the TRIO programs does not stipulate what share each program is to have, an allocation among the various programs must by necessity be made. Table 14.2 below provides the annual appropriation level for the Talent Search program since its inception.

The most recent Department of Education data on the number and racial and ethnic characteristics of Talent Search beneficiaries show that, in FY 1981, the 153 Talent Search projects served approximately 200,000 individuals. Of those individuals, approximately 41 percent were black, 32 percent were white, 20 percent were Hispanic and 7 percent were from other ethnic groups. 7/ Data for FY 1983 indicate that 67 projects were being supported at an average level of $102,000 each. The average cost per individual served was $87. 8/

6/ U.S. Congress. House of Representatives. Education Amendments of 1980. House Report No. 96-520. 96th Cong., 1st Sess. October 17, 1979. p. 25; U.S. Congress. Senate. Education Amendments of 1980. Report No. 96-733 to Accompany S. 1839. 96th Cong., 2d Sess. May 15, 1980. p. 25.

7/ Department of Education, Annual Evaluation Report, fiscal year 1983, p. 500-4.

8/ Department of Education, Annual Evaluation Report, fiscal year 1983, p. 500-3.

TABLE 14.2. Talent Search: Annual Appropriations
(In millions of dollars)

Fiscal year	Amount
1966	$2.0
1967	2.5
1968	4.0
1969	4.0
1970	5.0
1971	5.0
1972	5.0
1973	6.0
1974	6.0
1975	6.0
1976	6.0
1977	8.9
1978	12.5
1979	15.3
1980	15.3
1981	17.1
1982	17.1
1983	17.1
1984	17.7
1985	20.3 (est.)

Sources: Department of Education, Annual Evaluation Report, fiscal year 1982; budget justifications for FY 1984 and FY 1985; Federal Register, November 15, 1984; and Department of Education staff.

Evaluations

The Talent Search program is a virtually unstudied Federal education program. A 1975 study by the Research Triangle Institute (RTI), under contract with the Office of Education, provided a "descriptive study" of the Talent Search program rather than an evaluation because even basic programmatic data had not been previously gathered. 9/ RTI found in its data gathering that,

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9/ Research Triangle Institute. Descriptive Study of the Talent Search Program. Volume III of A Study of the National Upward Bound and Talent Search Programs. Prepared under contract to the Office of Education. December 1975. pp. xxiii, 1.6.

during the early 1970s, the definitions of the target population for the Talent Search program and the program's objectives were so imprecisely defined that various Talent Search projects were serving nearly anyone seeking assistance. In general, RTI reported that the projects were attempting to encourage their clients to complete high school and attend postsecondary education. 10/

Apparently no further impact analysis has been performed on a national basis of the Talent Search program. Relying on data in program files, the Department of Education asserted that, in FY 1981, Talent Search projects "persuaded" over 14,000 actual or potential dropouts to reenter, or stay in, secondary or postsecondary education. 11/

UPWARD BOUND

The Upward Bound program (HEA, section 417C) is intended to provide individuals with the skills and motivation needed to successfully pursue higher education. The statute specifies that Upward Bound projects are to provide disadvantaged youth with: (1) instruction in reading, writing, study skills, math, and other subjects necessary for post-high school education; (2) counseling; (3) academic advice and assistance in selecting high school courses; (4) tutoring; (5) cultural, academic and other activities usually unavailable to them; (6) activities showing the range of career options; (7) instruction for careers in which disadvantaged youth are underrepresented; (8) on-campus residential programs; and (9) activities like those listed above but designed for individuals with limited English proficiency.

10/ RTI, vol. III, pp. 9.4-9.8.

11/ Annual Evaluation Report, fiscal year 1983, p. 508-3.

The Secretary can award funds to projects only if at least two-thirds of the youth being served are low-income and potentially first generation college students; the remaining clients are either low-income or potentially first generation college students; each participant is determined to have a need for academic support to pursue postsecondary education successfully; and participants have completed 8 years of elementary education and are at least 13 years old but not more than 19 (unless those limits "defeat the purposes" of the project).

The authorizing statute also provides that participating youth may be paid stipends not to exceed $60 a month during June, July and August, and not to exceed $40 in all other months.

In general, Upward Bound projects provide participants with a 6 to 8 week summer period of on-campus living and studying. This experience is followed during the academic year with after school time classes and tutorial services, and opportunities to participate in cultural enrichment events.

Legislative History 12/

Under authority provided in the Economic Opportunity Act of 1964 (P.L. 88-452), the Office of Economic Opportunity funded a number of Upward Bound pilot projects in the summer of 1965. 13/

The Higher Education Amendments of 1968 (P.L. 90-575) transferred the Upward Bound program from the Office of Economic Opportunity to the Office of

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12/ The legislative history outlined here touches only on the most significant legislative amendments to the program; it relies on the CRS memorandum "Special Programs for Student From Disadvantaged Backgrounds (TRIO Programs)" written by Susan Boren, January 1983.

13/ Greenleigh Associations, Upward Bound 1965-69, pp. 1, 22.

Education. The House Education and Labor Committee asserted that the Talent Search and Upward Bound programs, although complementary, did not provide a comprehensive series of services to disadvantaged youth; indeed, these two programs were "artificially separated" and placing them in the same agency was "only logical." 14/ As a result, the committee reported legislation to create an "umbrella-like comprehensive program" consisting of the Talent Search, Upward Bound, and a new college-level service program, all administered by the Office of Education. The Senate Labor and Public Welfare Committee, in reporting its legislation to amend the Higher Education Act, also proposed bringing Upward Bound into the Office of Education, "in order to avoid overlap and duplication and to increase efficiency." 15/

The authorization of the Upward Bound program was extended along with that of the other TRIO programs periodically through the 1970s (see "Talent Search" section above). Not until the Education Amendments of 1980 (P.L. 96-374) were the provisions applying to the Upward Bound program extensively revised.

The Education Amendments of 1980 contained a detailed list of activities that each Upward Bound project could undertake. These amendments also introduced the first generation college requirement into the designation of eligible beneficiaries, and specified the age range for participants.

14/ U.S. Congress. House of Representatives. The Higher Education Amendments of 1968. Report No. 1649 to Accompany H.R. 15067. July 8, 1968. pp. 29, 31.

15/ U.S. Congress. Senate. Higher Education Amendments of 1968. Senate Report No. 1387 on S. 3769. 90th Cong., 2d Sess. July 11, 1968. p. 45.

Program Data

Table 14.3 below provides the annual appropriation level for the Upward Bound program since FY 1970. Between FY 1965 and FY 1969, the Upward Bound program was funded out of the total appropriations for title II-A of the Economic Opportunity Act of 1964; as a result, expenditures (i.e., not specific appropriations) are given for those years.

TABLE 14.3. Upward Bound: Appropriations
(In millions of dollars)

Fiscal year	Appropriation
1965	$2.4
1966	24.9
1967	28.2
1968	31.6
1969	30.9
1970	29.6
1971	30.0
1972	31.0 a/
1973	38.3
1974	38.3
1975	38.3
1976	38.3
1977	41.5
1978	50.0
1979	61.0
1980	62.5
1981	66.5
1982	63.7
1983	68.4
1984	71.0
1985	73.9 (est.)

a/ Excludes supplemental for Veterans' projects.

Sources: Greenleigh Associates. Upward Bound 1965-1969, p. 46; Department of Education. Annual Evaluation Report. Fiscal year 1982; budget justifications for FY 1984 and FY 1985; an application notice published in the Federal Register on November 26, 1984; and Department of Education staff. Dollar amounts are rounded to nearest hundred thousand.

According to the Department of Education, 423 applicants received grant awards for the 1983-84 program year. Data, apparently applicable to the FY 1981 period, show that 55 percent of the Upward Bound participants were black, approximately 14 percent were Hispanic, 26 percent were white, and the remainder came from other ethnic groups. With FY 1983 funds, 423 awards were made, averaging over $161,000 each. These projects served 32,000 individuals at an average cost of over $2,100 per beneficiary. 16/

Evaluations

The Upward Bound program appears to be the most evaluated TRIO program. The following paragraphs summarize only the most recent national evaluations of Upward Bound projects.

The Research Triangle Institute (RTI) has been engaged in a long term series of evaluations of the Upward Bound program. The Office of Education contracted with RTI, beginning in 1973, for a comprehensive description of the program as it was in 1973-74, a follow-up evaluation of the program covering the 1974-76 period, and a second follow-up study begun in 1978. 17/ These follow-up studies are a longitudinal assessment of Upward Bound participants, that is, a sample of participants is being periodically re-surveyed to determine the effects of the program on their educational experiences.

16/ Department of Education, Annual Evaluation 1983, pp. 507-2, 507-3.

17/ Research Triangle Institute. A Study of the National Upward Bound and Talent Search Programs. Prepared under contract with the Office of Education. 4 volumes. 1975; Research Triangle Institute. Evaluation Study of the Upward Bound Program: A First Follow-up. Prepared under contract with the Office of Education. September 1977; Department of Education. Evaluation Study of the Upward Bound Program: A Second Follow-up. Executive Summary. July 11, 1980.

The first follow-up analysis focused on determing the extent to which the program promoted high school retention and enhanced entry into postsecondary education. Among its findings, this study concluded that: (1) the Upward Bound program did not significantly increase the high school completion rate among its participants compared to purportedly comparable non-participants; (2) Upward Bound participation was related to a significantly higher rate of postsecondary entry; (3) there apparently were no consistent differences in the progress made in postsecondary education when Upward Bound participants were compared to their non-participating counterparts; and (4) Upward Bound participants did enter four year institutions of higher education at a higher rate than did non-participants. 18/

The second follow-up study was intended to evaluate the impact of the Upward Bound program on the long term educational progress of participants. In general, this evaluation is positive with regard to the effects of Upward Bound services on individuals' postsecondary retention and progress.

Over the 4 years following their high school graduation, the samples of Upward Bound participants and comparable non-participants experienced large differences in the rates at which they entered postsecondary education in general, entered 4-year institutions of higher education in particular, and graduated from such institutions. Approximately 91 percent of the participants entered postsecondary education in contrast to 72 percent of the non-participants; 74 percent of the participants entered four-year colleges, only 43 percent of the non-participants did so; and 20 percent of the Upward Bound students graduated from 4-year institutions, whereas, only 5 percent of the non-participants graduated from such institutions. Even taking into account

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18/ RTI, First Follow-up, pp. xviii-xix.

the different rates at which the two samples entered 4-year schools, one can still find an apparent positive effect on graduation rates for the Upward Bound program. Of the participants who entered 4-year schools, 30 percent graduated over the 4-year period under analysis; of the non-participants, 17 percent of the 4-year school entrants graduated in that period. Nevertheless, the program overall apparently had only a slightly positive impact on persistence (number of terms completed) within particular kinds of higher education institutions (such as those offering higher degrees or having more selective admissions). For example, even though participants who enrolled at 4-year schools graduated at a higher rate than non-participants, they also were more likely to be found at the lower end of the scale in terms of the number of years of credit at such schools. Department of Education program evaluation data show that, of the participants who enrolled at 4-year schools, 42 percent earned 2 or fewer years of credit; only 20 percent of the non-participants enrolled at such schools earned that few years of credit). 19/

The General Accounting Office (GAO) issued evaluations of the Upward Bound program in 1974 and again in 1983. The first evaluation found that although exposure to Upward Bound services was related to subsequent postsecondary enrollment, it was not related to postsecondary success. Of the fifteen projects surveyed by GAO, data for only one revealed a positive and significant association between program participation and retention in college. 20/

19/ Second Follow-Up, Executive Summary.

20/ General Accounting Office. Problems of the Upward Bound Program in Preparing Disadvantaged Students for a Postsecondary Education. B-164031(1). March 7, 1974.

GAO's 1983 report, prepared in response to a letter from Senator Orrin Hatch, Chairman of the Labor and Human Resources Committee, found at 12 Upward Bound sites that project administrators and the Department of Education staff were, in general, ignorant of whether the projects were providing participants with the skills needed for success in postsecondary education or how participants actually fared in their subsequent educational endeavors. An average dropout rate of approximately 50 percent plagued these projects; that is, only about half of the individuals who started in one of these Upward Bound projects stayed until high school graduation. GAO noted that, although program regulations in place during the period of its fieldwork required projects to monitor the postsecondary experiences of Upward Bound participants, none of the sites visited had complete data on the postsecondary success of these individuals. In addition, the current program authorizing statute and regulations require the Department of Education to take a project's prior performance into account when making an Upward Bound award. GAO recommended that the actual postsecondary success of participants be made a part of the Department's assessment of a project's prior performance, as well as other data, including a project's dropout rate. 21/

SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

The Special Services for Disadvantaged Students program (section 417D) is intended to provide academic and other support to disadvantaged college students. The authorizing statute specifies that, among the activities to be undertaken by Special Services projects, the following may be included: (1) instruction

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21/ General Accounting Office. Review of the Upward Bound Program. GAO/HRD-93-19. B-209515. Letter to Senator Orrin G. Hatch with enclosures. March 18, 1983.

in reading, writing, study skills, math and other subjects necessary for post-high school success; (2) personal counseling; (3) academic advice and assistance in course selection; (4) tutoring; (5) cultural, academic and other activities not usually available to disadvantaged students; (6) activities to show participants the range of careers open to them; (7) assistance to participants in applying to graduate and professional programs and in securing financial assistance; and (8) activities as described above designed for students with limited English proficiency.

At least two-thirds of the participants in Special Services projects must be physically handicapped or low-income, first generation college students. The remaining participants can be low-income, first generation college students, or physically handicapped. Projects must determine that participants need these services in order to complete a postsecondary program. In addition, participants must be enrolled or accepted for enrollment at the institution conducting the Special Services project. Finally, the statute requires that institutions conducting these projects provide assurances that participants' full financial need (to cover the costs of attendance) will be met.

Legislative History 22/

The Special Services program was established by the Higher Education Amendments of 1968 (P.L. 90-575) largely to extend the provision of the academic supportive services designed to encourage disadvantaged youth to remain in, or re-enter, high school (Talent Search) and to complete high school and

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22/ The legislative history outlined here touches only on the most significant legislative amdndments to the program; it relies on the CRS memorandum "Special Programs for Students from Disadvantaged Backgrounds (TRIO Programs)" written by Susan Boren, January 1983. For description of funding authority, see the "Talent Search" section.

enter postsecondary education with the skills needed for success (Upward Bound). 23/ The authorizing statute specified a number of activities that Special Services projects could undertake, such as counseling and tutoring to address students' academic deficiencies; guidance, placement and personnel services; and identifying, encouraging and counseling students for graduate and professional education.

The Education Amendments of 1972 (P.L. 92-318) deleted the listing of authorized activities for Special Services projects, substituting, instead, the provision of "remedial and other special services."

The Education Amendments of 1980 revised the authorizing statute to provide the program with its present structure. The rationale for these changes are discussed in the "Talent Search" section above.

Program Data

The Special Services program has been funded since FY 1970. Table 14.4 below shows the funding for the program remained relatively steady from 1970 through 1976, grew rapidly from 1970 through 1981, and has declined slightly since then.

23/ U.S. Congress. House of Representatives. The Higher Education Amendments of 1968. Report No. 1649 to Accompany H.R. 15067. 90th Cong., 2d Sess. July 8, 1968. p. 31.

TABLE 14.4 Special Services: Annual Appropriations
(In millions of dollars)

Fiscal year	Amount
1970	$10.0
1971	15.0
1972	15.0
1973	23.0
1974	23.0
1975	23.0
1976	23.0
1977	30.6
1978	45.3
1979	55.0
1980	60.0
1981	63.9
1982	61.3
1983	60.6
1984	66.9
1985	70.3 (est.)

Sources: Department of Education, Annual Evaluation Report Fiscal Year 1982; budget justifications for FY 1984 and FY 1985; an application notice published in the Federal Register on November 26, 1984; and Department of Education staff. All dollar amounts have been rounded to nearest hundred thousand.

According to the Department of Education, in FY 1981 approximately 38 percent of the Special Services participants were black, 40 percent were white, 14 percent were Hispanic, 5 percent were Asian, and 3 percent were Native American. Program data also show that, in FY 1983, 639 projects were funded at an average amount of $94,764. These projects assisted 150,000 individuals at a cost of $404 per participant. 24/

24/ Department of Education, Annual Evaluation Report, fiscal year 1983, pp. 510-3, 510-7.

Evaluations

In recent years, two evaluations of the Special Services program have been conducted--a two-part effort by the Systems Development Corporation (SDC) with Department of Education funding, and one by the General Accounting Office (GAO).

The SDC study focused, first, on the Special Services program as it was implemented in the 1979-80 academic year by postsecondary education institutions in order to determine the effects of program participation on a sample of freshmen. A follow-up study sought to identify the longer range effects on that same sample by the 1982-83 academic year. The base year study found that students receiving the full range of Special Services assistance and similar assistance were more than twice as likely to complete their freshman year of college than were purportedly comparable non-participants. 25/ Among the findings of the follow-up study of the same sample three years later were the following: some 60 percent of the participants were still enrolled and over half were enrolled on a full-time basis; no particular kind of academic service being provided by the Special Services projects was more effective than any other; cultural and other non-academic services were associated with greater academic success; and academic services received after the freshman year were associated with relatively negative academic outcomes (perhaps due to their being focused on the more disadvantaged or more poorly performing students). 26/

GAO in its 1982 evaluation of the Special Services program concluded that in the 11 sites it reviewed, using 1977-80 data, the following applied: the

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25/ System Development Corporation. Evaluation of the Special Services for Disadvantaged Students (SSDS) Programs: 1979-80 Academic Year. Prepared under contract with the Department of Education. 1983.

26/ System Development Corporation. Evaluation of the Special Services for Disadvantaged Students (SSDS) Program: Final Report. Prepared under contract with the Department of Education. October 1983.

objectives of individual projects at times diverged from the specified goals of the Special Services program; and the Department of Education was not adequately monitoring Special Services projects to determine if program goals were being met. 27/ Although the Department of Education agreed that there was a need for greater monitoring of projects, it contended that the success of the Special Services program was indeed known. Performance data for the 1978-79 through 1980-81 award period gathered by the Department showed that in excess of 87 percent of the Special Services participants remained in school or graduated from school, a program statistic proving, according to the Department, that the program was meeting its goals. The Department also cited the results of an Office of Postsecondary Education project to identify exemplary and cost-effective programs for which over 35 Special Services projects delineated evidence of their accomplishments in achieving program objectives. Finally, the Department noted that the SDC study had shown a very positive impact of Special Services participation on the persistence of freshman students. 28/

EDUCATIONAL OPPORTUNITY CENTERS

The Higher Education Act (section 417E) provides that the Secretary will administer a program of providing grants covering up to 75 percent of the cost of operating Educational Opportunity Centers. These centers are intended to provide information concerning financial and academic assistance available to

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27/ General Accounting Office. Department of Education Uncertain About Effectiveness of Its Special Services Program. GAO/HRD-83-13. November 12, 1982. pp. i-ii.

28/ General Accounting Office, Department of Education Uncertain, pp. 18-21.

persons interested in postsecondary education, and to assist such individuals in applying for admission to postsecondary institutions. Centers may also provide tutoring and counseling, if such services are not already available to individuals from another TRIO project.

At least two-thirds of the persons served by a center must be low-income, first generation college goers; participants must be at least 19 years of age (unless such restriction would "defeat the purposes" of the project); and participants must not have access to services from another center or a Talent Search project.

Legislative History 29/

The Educational Opportunity Centers were first authorized by the Education Amendments of 1972 (P.L. 92-318) with much the same structure as provided currently in the Higher Education Act. The Senate Labor and Public Welfare Committee which initially approved the establishment of this program characterized the Educational Opportunity Centers as clearinghouses for information concerning financial and academic support available at colleges. The Centers would be a source of assistance for students to use in applying for admittance to such schools, including the preparation of detailed documentation for use by admissions and financial aid officers, provision of counseling service, and provision of tutorial help. 30/

29/ The legislative history outlined here touches only on the most significant legislative amendments to the program; it relies on the CRS memorandum "Special Program for Students from Disadvantaged Backgrounds (TRIO Programs)" written by Susan Boren, January 1983. Funding authorizations are discussed in the "Talent Search" section above.

30/ U.S. Congress. Senate. Education Amendments of 1971. Report No. 92-346 on S. 659. 92d Cong., 1st Sess. August 3, 1971. p. 40.

The Education Amendments of 1980 amended the authorizing provisions to identify more precisely the eligible participants. The "Talent Search" section provides a discussion of these changes.

Program Data

Table 14.5 below provides the annual appropriations for the Educational Opportunity Centers from their inception.

TABLE 14.5. Educational Opportunity Centers: Annual Appropriations (In millions of dollars)

Fiscal year	Amount
1974	$3.0
1975	3.0
1976	3.0
1977	4.0
1978	5.2
1979	6.3
1980	7.7
1981	8.0
1982	7.7
1983	7.8
1984	8.1
1985	9.3 (est.)

Sources: Department of Education, Annual Evaluation Report. Fiscal Year 1982; budget justifications for FY 1984 and FY 1985; an application notice published in the Federal Register on November 15, 1984; and Department of Education staff. All dollar amounts have been rounded to nearest hundred thousand.

According to the Department of Education, in FY 1983, 33 projects received an average of $236,000 each to provide services to approximately 106,000 students. The average cost was $75 per participant. In the most recent year for which data are available (FY 1981), the Department found that 40 percent of center beneficiaries were black, 38 percent were white, 15 percent were Hispanic, 4 percent were Asian, and 3 percent were American Indian. 31/

Evaluations

Apparently no major national evaluation studies of the Educational Opportunity Centers program have been prepared.

STAFF DEVELOPMENT ACTIVITIES

Staff Development Activities (section 417F) are intended to improve the operation of TRIO programs. Through grants to higher education institutions, and other public and private nonprofit organizations, the Secretary of Education is to fund training for the staff and leadership personnel of TRIO projects. These training activities are to include conferences, internships, seminars and workshops; and they are to be conducted in various regions of the country.

Legislative History 32/

The Education Amendments of 1976 provided for the training of TRIO project staff. The Education Amendments of 1980 detailed the kinds of training activities to be provided and the geographic distribution of these training activities.

31/ Department of Education, Annual Evaluation Report, fiscal year 1983, pp. 509-3, 509-4.

32/ The legislative history outlined here touches only on the most significant legislative amendments to the program; it relies on the CRS memorandum "Special Programs for Students from Disadvantaged Backgrounds (TRIO Programs)" written by Susan Boren, January 1983.

Program Data

Table 14.6 below provides appropriations data for Staff Development Activities since their inception with the FY 1978 appropriation.

TABLE 5. Staff Development Activities: Annual Appropriations
(In millions of dollars)

Fiscal year	Amount
1978	$2.0
1979	2.4
1980	2.0
1981	1.0
1982	.96
1983	.96
1984	.96
1985	1.1 (est.)

Sources: Department of Education, Annual Evaluation Report, fiscal year 1982; budget justifications for FY 1984 and FY 1985; and Department of Education staff. All dollar amounts have been rounded to nearest 10 thousand.

According to the Department of Education, in FY 1983 12 grants for training activities were funded, averaging $79,975 each. Some 1,500 staff were served at a cost of $640 per participant. [33]

Evaluations

No national evaluations of this TRIO program have been performed.

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[33] Department of Education, Annual Evaluation Report, fiscal year 1983, p. 513-3.

PROGRAM ISSUES

The concluding section presents a number of issues that might be considered during the reauthorization of the TRIO programs. The various programs are addressed as a group here, rather than individually, because the reauthorization issues likely will result in amendments across the array of programs.

The relatively few major, national evaluations of the various TRIO programs (see summaries provided above) help to identify a number of generic issues. Indeed, these issues arise largely because the TRIO programs serve to complement the need-based student aid programs authorized by other parts of title IV of the HEA. As they were described in one analysis, the TRIO programs began with the "programmatic recognition that opening doors to education and providing the financial wherewithal for low-income students to enter was not enough; outreach and counseling services were also needed to help equalize access." 34/ Issues related to the TRIO programs likely will include the following:

1. eligibility requirements for beneficiaries;
2. extent to which eligible individuals receive services; and
3. impact of the programs on the educational persistence and attainment of participants.

Eligibility Requirements

The Education Amendments of 1980 addressed a perennial concern about the TRIO programs by more precisely defining the eligibility criteria to be used

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34/ Franklin, Paul. Beyond Student Financial Aid: Issues and Options for Strengthening Support Service Programs Under Title IV of the Higher Education Act. A Special Report from the Washington Office of the College Board. April 1980. p. 1.

in any TRIO project (with the exception of the Staff Development activities). In general, two-thirds of the participants must be low-income, first generation college goers.

TRIO evaluations suggest that limited information has been gathered nationally to assess the impact of these eligibility requirements. In the reauthorization process, consideration might be given to the impact of the eligibility changes on the clientele actually being served and their impact on the functioning of the various projects. Possible questions include the following:

Impact on Clientele

1. Has the population been broadened from what it was before the 1980 changes?
2. Are the kinds of individuals formerly served still being served?
3. Does the first generation college requirement add anything useful to the determination of eligibility, does it arbitrarily exclude low-income students in need of services, or does it target the projects on the truly needy? 35/

Impact on Projects

1. How do the projects make the determination of eligibility; is this process a necessary burden?
2. Are the clients different under the new requirements, requiring different services or different methods of delivering services?

35/ Franklin, in Beyond Student Financial Aid (p. 36), notes that the National Coordinating Council of Educational Opportunity Associations concluded that the low-income factor (150 percent of poverty) identified almost precisely the same persons for TRIO eligibility as did the first generation college goer criterion.

Extent of Coverage

Up through the middle 1970s, the common perception was that the TRIO projects actually served only 6 percent of the individuals actually eligible for services. In the late 1970s, with an increase in the total appropriation provided to the TRIO programs, that percentage apparently rose to 10 percent. 36/ Although total appropriations have risen still higher (FY 1979 appropriation of $140 million; FY 1985 appropriation of $174.94 million), the changes in the eligibility requirements in 1980, according to one assessment, served to broaden the pool of potential beneficiaries. 37/ Thus, the coverage of potentially eligible individuals may be even lower than previously estimated.

This issue has at least two facets that might be addressed during the reauthorization process--appropriateness of this level of coverage and reasons for this level of coverage. Each facet generates a host of questions that may need answers.

Appropriateness

1. If fewer than a tenth of the potentially eligible persons are being served, are the eligibility requirements unnecessarily broad and diffuse?
2. Should the authorization levels be specified at a level higher than the FY 1985 appropriation?
3. As complementary support programs for the multi-billion dollar HEA student aid programs, are the TRIO programs too small to be worth continuing, or so small that they need to be greatly expanded?

36/ Ibid., pp. 2-3.

37/ Ibid., p. 23.

Reasons

1. Are TRIO services too concentrated on relatively small numbers of individuals?
2. Are there methods for wider distribution of services without a significant reduction in effectiveness?
3. Does the relatively high cost per student of the Upward Bound program consume funds that might be used more cost-effectively to expand the number of individuals served by TRIO projects?
4. Why do some individuals receive services and others, presumably equally qualified, do not?
5. Are there facets of the TRIO programs, other than funding, that serve to limit the extent to which they serve the eligible population? Would institutional matching requirements be appropriate for expanding coverage?

Impact of the Programs

Clearly, from the earlier review of evaluations of the TRIO programs, some uncertainty exists about the actual impact of the various programs. Partly, this uncertainty arises from an absence of recent, comprehensive, national studies of each of the programs. Partly, the questions continue because the goals and objectives of the TRIO programs remain somewhat abstract. Assessing the record of projects intended, for example, "to generate skills and motivation necessary for success in education beyond high school" (Upward Bound program) may always be problematic. The General Accounting Office has in the past criticized the Office of Education and, then subsequently, the Department of Education for not monitoring the performance of individual projects more frequently or more comprehensively.

In terms of the reauthorization of these programs, this issue may focus on the specification of desired outcomes. Questions generated by this aspect of the issue include the following:

1. Should the Congress more precisely define the outcomes for TRIO projects; for example, specifying that a condition of continued funding for Upward Bound projects is more than 50 percent retention of clients through high school graduation?
2. Is the concern by some reviewers over the performance of the TRIO programs out of proportion to the problems, given, in particular, that the clientele being served is one with relatively high levels of academic risk?
3. What, indeed, are the outcomes being achieved by the TRIO programs; how can Congress amend the programs to require better and more comprehensive outcome data?
4. What are the trade-offs between granting individual projects a degree of autonomy to set their own objectives and modify their services to suit local conditions, and establishing more extensive Federal monitoring and evaluating procedures to have better accountability?

PROGRAM OPTIONS

This concluding subsection presents, for illustration purposes only, a number of options for amending the TRIO authorizing provisions. These options highlight the broad range across which reauthorization action can occur, moving from relatively minor fine tuning of the current programs, to extensive revisions refocusing or consolidating programs, to elimination of programs. The options presented below address the issues discussed previously. They are not presented in any particular order nor are they to be considered CRS recommendations. 37/

37/ It should be noted that the President's FY 1985 Budget Request proposed a number of changes to the TRIO programs. Under this proposal, the Talent Search and Educational Opportunity Centers would have been eliminated, "in order to focus limited funding on the highest priority, most effective direct services programs." (FY 1985 Budget Justifications). The remaining programs, Upward Bound and Special Services, would be offered only by institutions (continued)

Continue the Current Eligibility Requirements Without Modification

This option would recognize that the TRIO programs have only been functioning for a few years with their present eligibility criteria, making it too soon to amend these provisions because their impact cannot as yet have been felt fully. The arguments offered at the time these new criteria were specified would still apply—income and educational attainment of parents are related to children's educational success.

Amend the Eligibility Criteria to Focus More Fully on the Most Needy Students

The definition of low-income as presently provided in the authorizing statute could be changed from those whose families' income is below 150 percent of poverty to those whose income is below the poverty level. This change would concentrate relatively limited resources on the very neediest. The first generation college criterion could be eliminated because it apparently adds little to the process of identifying clients beyond what is achieved through the low-income criterion. Such a change also presumably would reduce the administrative burden on individual TRIO projects.

(continued) of higher education participating in the Federal student aid programs. Special Services projects would be required to meet an increasingly greater share of project costs over their 5 year eligibility period (awards would be nonrenewable). Upward Bound projects would be required to meet 10 percent of their project expenses. Eligible individuals would have to be either low-income or physically handicapped. Generally similar proposals were contained in H.R. 5451 (Representative Erlenborn) and S. 2870 (Senator Hatch) introduced during the 98th Congress. These bills differed from the budget proposal in a few ways and offered more details about the proposed changes. For example, the Talent Search program would have been continued under these bills with eligibility limited to low-income or physically handicapped persons and the Federal share of project costs would be 75 percent. Also, the 5-year eligibility period for Special Services projects would have been reduced to 3 years for any institution previously receiving funding for 3 or more years.

Simplify the Eligibility Criteria

TRIO projects could be required to provide their services in low-income areas without requiring that these projects verify the income status of individuals actually receiving services. Although this option might lead to criticisms similar to those leveled in the past against certain TRIO programs (that the projects were basically serving anyone who requests service), it would reduce appreciably the administrative burden on projects and avoid arbitrary distinctions among individuals in need of services.

Impose a Cost-Sharing Requirement on Institutions

In lieu of, or in conjunction with changes in the eligibility criteria, agencies and institutions operating TRIO projects could be required to match to some degree the Federal funds. This would potentially expand coverage while at the same time securing greater institutional commitment to these programs, particularly for the Upward Bound and Special Services projects being operated by institutions of higher education. With the investment of non-Federal dollars in student support services could come greater local autonomy in structuring programs and determining participant eligibility requirements.

Eliminate One or More Programs

This action might be taken under the assumption that there is no longer a need for the program because institutions of higher education, in their quest for students, already provide many of the outreach, information, and recruitment services offered by TRIO projects to the very students upon whom these projects are focused. In response to concerns that disadvantaged students would be attracted into higher education and then not provided the support services they might need to progress, a condition of institutional eligibility for Federal student aid programs could be that colleges would be required to provide such services. Indeed, if uniform standards related to satisfactory academic progress should be adopted as a condition of eligibility for insitutional participation in Federal student assistance programs, institutions might try to reduce potential problems by expanding academic counseling, tutorial assistance, and other support services.

SECTION 15
TEACHER EDUCATION

Title V of the Higher Education Act (HEA) has included the authorizations for the three most comprehensive Federal efforts in the Higher Education Act (HEA) to address teacher education and staff development problems--the Teacher Corps, Teacher Centers, and the Education Professions Development Act (EPDA). Teacher Corps was first authorized in the Higher Education Act in 1965, EPDA was enacted in 1967, and Teacher Centers in 1976; however, all had been terminated by the end of 1981. The primary focus of these programs was on resolving elementary and secondary school teaching needs.

Each of these three Federal efforts emphasized the importance of "hands-on" experiences and the integration of research and practice. They emerged in response to questions raised about the effectiveness of traditional modes of training teachers and administrators. Concerns included the lack of field experiences in teacher education programs, the shortage of teachers trained to work with special needs students, and the balance of power and program control between local educational agencies (LEAs) and institutions of higher education (IHEs) as decisions are made about teacher education pre-service and in-service programs. These issues may also be relevant in the 1980s during an era when increased emphasis is being placed on the need for excellence in education and improvements in the quality of America's teaching force.

In response to the national interest in reform of America's elementary and secondary schools, the 98th Congress authorized two teacher education and staff improvement initiatives as amendments to the Higher Education Act, but neither received any appropriations. The programs are (1) The Carl Perkins Scholarship Program and A National Talented Teacher Fellowship Program, and (2) The Federal Merit Scholarship Program. Both the Carl Perkins Scholarship Program and the Federal Merit Scholarship Program authorize financial support for students pursuing undergraduate study at institutions of higher education. The National Talented Teacher Fellowship Program authorizes a stipend and a 1-year leave of absence for the selected teachers.

The first two parts of the following discussion contain an overview of the three major previous Federal efforts in the HEA to improve America's teaching force and of the recently authorized teacher improvement programs. Each part also contains a summary of the legislative history, funding level, and principal evaluation findings and recommendations. These discussions are followed by a selected list of program issues and program options.

PREVIOUS FEDERAL EFFORTS

Teacher Corps

The National Teacher Corps, part B, title V of the Higher Education Act, was the first Federal legislation to place special emphasis on the role of teachers in educating children from low-income families. Originally, the purpose of Teacher Corps was to strengthen the educational opportunities available to children living in high poverty areas and at the same time to encourage LEAs and IHEs to broaden their teacher education programs. In introducing the Teacher Corps legislation, Senator Gaylord Nelson explained that:

> this proposal aims at dramatizing the ideal of domestic service, and would offer young men and women an opportunity to begin to teach in difficult and challenging situations at home as the Peace Corps

> has done abroad . . . . The Teacher Corps would develop skilled and mature teachers at the same time it begins to meet the educational problems of our most deprived schools. 1/

To achieve these goals, the Teacher Corps program recruited and trained qualified teachers (team leaders) and inexperienced teachers (interns) for service in areas with high percentages of low income families. During their time in service, team leaders and interns (one leader and several interns per team) worked together in participating schools, and simultaneously Teacher Corps interns completed the required courses leading to a college degree and qualifications for a State teaching certificate.

Because of a teacher shortage during the mid-1960s and early 1970s, in its early years the Teacher Corps primarily focused on recruiting and preparing new teachers to teach in poverty areas. By the mid-1970s, with the development of a teacher surplus, the Teacher Corps refocused its activities and became primarily an in-service program designed to retrain experienced teachers to teach in areas of high poverty.

Teacher Corps regulations required that local projects incorporate into their curriculum those characteristics that reflected current educational concerns, priorities, and strategies identified by researchers as essential to effective educational personnel and school improvement programs. For example, "individualized instruction, multicultural education and education which compl(ied) with . . . P.L. 94-142 (Education of All Handicapped Children Act of 1975) (were) seen as major educational priorities by Teacher Corps." 2/

1/ Congressional Record, February 11, 1965. daily edition. S. 2575.

2/ Olivarez, R. D. Teacher Corps and Inservice Education: A National Experiment. Journal of Research and Development in Education, vol. 14, no. 2, 1981. p. 94.

Teacher Corps regulations also indicated that programs were expected to "evolve" at the individual project sites. Educational personnel from each of the designated project sites were to develop: (1) an understanding of their project site (e.g., socioeconomic conditions, diversity of cultural life-styles, and community expectations); (2) the Teacher Corps educational philosophy (e.g., strategies reflective of current educational theory such as curriculum geared toward multicultural and individualized instruction practices); and (3) curriculum improvement focused on establishing continuity from the early elementary grades through senior high school. Regulations concerning the Teacher Corps in-service effort also required the local school staff to determine its own needs for school improvement and staff development and then to design a comprehensive and systematic program to meet those needs. To satisfy this requirement, local school sites translated the Teacher Corps educational philosophy into programs relevant to their local needs. 3/

Legislative History 4/

The enactment of the Teacher Corps programs was one of the controversial issues debated during deliberation on the Higher Education Act in 1965. Senators Edward Kennedy and Gaylord Nelson began the legislative efforts for the program when they sought to include a National Teachers Corps as an amendment

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3/ Ibid., p. 95.

4/ Data for this section were primarily drawn from: National Advisory Council on Education Professions Development. Teacher Corps: Past or Prologue? A Report With Recommendations. Washington, July 1975; Marcia Scott. Teacher Corps Legislation: History and Selected Program Information. Washington, CRS Multilith 77-104 ED. April 1977; Anne Stevens and Mark Wolfe. A Comparison of the Teacher Corps and Teacher Center Programs. CRS Memo, February 1980; and Annual Evaluation Report, volume II. FY 1981. Washington, U.S. Department of Education, 1982.

to the proposed Elementary and Secondary Education Act. 5/ Unsuccessful in that effort, they turned to the Higher Education Act. 6/ In July, President Johnson proposed before the Annual Convention of the National Education Association that the Congress enact a National Teacher Corps, and followed this statement with a subsequent letter to Congress describing his proposal. 7/

The Senate Labor and Public Welfare Committee reported H.R. 9567, Higher Education Act of 1965, with authority for a National Teacher Corps program, and, although the House-passed version of the bill did not include such authority, the House Education and Labor Committee did subsequently report a bill, H.R. 9627, to authorize a National Teacher Corps program.

During the conference committee's deliberation on the measure, House Republican conferees, objecting to the program, refused to sign the conference report. 8/ On the House floor, a major portion of the debate focused on an effort to recommit the bill to conference with instructions to delete the Teacher Corps program. 9/ The principal concern expressed by the opponents was the fear that:

> . . . . federally selected, federally trained, and federally assigned corps of teachers would give Federal officials a powerful additional lever of control and direct influence over local schools. 10/

5/ U.S. Congress. Senate. Commitee on Labor and Public Welfare. Elementary and Secondary Education Act of 1965. Report to Accompany H.R. 2362. Senate Report No. 89-146, 89th Cong., 1st Sess., April 6, 1965. Washington, U.S. Govt. Print. Off., 1965. p. 36.

6/ Congressional Quarterly. Almanac [:] 89th Cong., 1st Sess., 1965, vol. XXI, p. 303.

7/ Congressional Quarterly. Almanac [:] 89th Cong., 1st Sess., 1965, vol. XXI, p. 1426. Text of letter dated July 17, 1965.

8/ Congressional Quarterly, Almanac, 1965, p. 304.

9/ Congressional Record, bound edition, October 20, 1965, p. 26706-26730.

10/ Statement by Representative Griffin, Congressional Record, bound edition, October 20, 1965, p. 26713.

The vote to recommit failed by vote of 152 yeas and 226 nays. 11/ The conference report subsequently was adopted, and the National Teacher Corps was first enacted under the Higher Education Act of 1965 (P.L. 89-329).

Initially, the legislation authorized the Commissioner of Education to select participants; to provide, through a grant or contract with IHEs, State educational agencies (SEAs), or LEAs for the training of Teacher Corps recruits; and upon the request of an LEA, to assign Corps members to serve in that LEA. The Commissioner was also responsible for providing funds directly to the LEA to cover salary expenses of Teacher Corps participants.

In 1967, the Teacher Corps program was extended through FY 1970 as part of the Education Professions Development Act (EPDA) (P.L. 90-35). Several changes were incorporated into the legislation, the most significant of which was the de-emphasis of the Federal role. For example, LEAs and IHEs now had the responsibility for recruitment, selection, and enrollment of Corps members; SEAs were authorized to approve the LEAs' requests for recruiting and training arrangements, and in most cases the Federal share toward salary reimbursement for Corps participants was limited to 90 percent. The 1967 amendments also included other changes such as that Indian and migrant children be included in the program, that only experienced teachers serve as team leaders, and that the name, "National Teacher Corps," be changed to "Teacher Corps."

In 1971 the EPDA legislation was amended and extended as title V of the Higher Education Act of 1965. In addition to authorizing programs to attract and train experienced and inexperienced teachers, the Teacher Corps now provided for volunteers to serve as part-time tutors or full-time instructional assistants, and for educational personnel to provide relevant remedial, basic,

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11/ Congressional Record, bound edition, October 20, 1965, p. 26729.

and secondary educational training, including literacy and communications skills, to juvenile delinquents, youth offenders, and adult criminal offenders.

The Education Amendments of 1972 (P.L. 92-318) extended authorizations through fiscal year 1972; established a minimum authorization of not less than 25 percent of the funds appropriated for EPDA, or $37.5 million, whichever is greater; and authorized the Commissioner of Education to delegate duties to the Director of the Teacher Corps.

The Education Amendments of 1974, (P.L. 93-380) amended the purpose of the Teacher Corps by encouraging IHEs and LEAs to improve their programs of training or retraining of teachers and teachers aides, and by supporting demonstration projects for the training or retraining of teachers and teacher aides in LEAs. Apparently influenced by the overall surplus of teachers at this time, the 1974 amendments shifted the Teacher Corps' focus from pre-service training of new recruits to in-service training and retraining of experienced personnel. 12/ The 1974 amendments also increased the set-aside for Teacher Corps teams assigned to Puerto Rico and the Virgin Islands, Guam, American Samoa, and the Trust Territories; teacher intern compensation was also increased.

Under the Education Amendments of 1976, (P.L. 94-482) the Teacher Corps became title V of the Higher Education Act (Teacher Corps and Teacher Training). Teacher Corps' authorizations were set at $50 million for FY 1977; $75 million for FY 1978; and $100 million for FY 1979. Other major changes under the 1976 Amendments included the requirements that:

1. LEAs provide training not only to new recruits but also to all Teacher Corps personnel;

2. the Commissioner of Education provide technical assistance and evaluation and dissemination services for arrangements made under title V; and

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12/ Senate Report 93-763, 93d Cong., 2d Sess., p. 99.

3. all Teacher Corps projects include the participation of an elected council representative of the community in which the project would be located.

Teacher Corps legislation was further amended by the Education Amendments of 1978 (P.L. 95-561). The permissible project length was extended from 2 to 5 years; and additional goals were included that stressed the importance of institutionalizing educational change and integrating change through dissemination and demonstration activities so that other teachers and educational institutions could benefit.

Under title V of the Education Amendments of 1980 (P.L. 96-374), the Teacher Corps legislation was amended to provide: (1) grants to schools, colleges, and departments of education in IHEs, and to LEAs with high concentrations of low-income students to develop curriculum and instructional materials to improve instruction in science and mathematics; and (2) training grants for mathematics and science teachers in the use and development of new curriculum and instructional materials.

Phased out by the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), the final year of funding for the Teacher Corps program was FY 1981.

Funding History

Funds first were appropriated for FY 1966, with an appropriation level of $9.5 million. The highest annual appropriation ($37.5 million) was provided each year from FY 1973 through FY 1976; and the lowest level was in FY 1966. The last year of funding was FY 1981 with an appropriation of $22.5 million.

Program Data

The program's scope varied slightly from year-to-year depending upon level of funding and program emphasis. By FY 1972, programs were being conducted for some 113,000 school children in 138 LEAs. Five years later, in FY 1977, continuing Teacher Corps activities were conducted through 117 operational projects in 109 LEAs, 108 IHEs, and 6 SEAs; in addition, 58 new projects were funded to 57 LEAs, 53 IHEs, and a State Department of Corrections. Over 700,000 school children were participating in Teacher Corps activities at that time.

During the last 2 years of funding, FY 1980 and FY 1981, the Teachers Corps program had about 130 operational projects serving 123 LEAs, 130 IHEs, and 7 SEAs. Over 500,000 children and over 25,000 educational personnel were then involved in Teacher Corps projects.

Program Evaluation

The principal findings of the various evaluations of the Teacher Corps program have been summarized in the following discussion. 13/ Evaluation studies 14/ of the early years of the Teacher Corps program indicated that initially the program was not producing educational reform because of problems with project management and the lack of clear program objectives.

In the early 1970s, regulations and guidelines were revised to clarify legislative objectives and provide better direction for project managers. For

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13/ For a comprehensive review of the Teacher Corps evaluation data, see Federal Efforts to Improve America's Teaching Force, CRS White Paper 84-365. by Jordan, K. Forbis, and Nancy B. Borkow. Washington, 1984. p. 10-22.

14/ Watson, B. C. The Taming of a Reform. Phi Delta Kappan, October 1968. p. 99-104; Graham, R. A. Educational Change and the Teacher Corps. Phi Delta Kappan, February 1975. p. 305-309.

example, these changes specified that resources would only be available to those school systems that wanted to "undertake programs of significance." 15/ The impact of these changes may have been reflected in the following findings from three Teacher Corps evaluations completed in 1972: 16/

1. projects brought about more educational reform;
2. programs focused on educational reform efforts to improve IHE training rather than to improve LEA programs; and
3. educational opportunities for disadvantaged children were improved through the assistance provided to the regular classroom teacher by members of the Teacher Corps.

Mixed reviews about the ability of the Teacher Corps to effect educational change were noted in a 1975 evaluation of the Teacher Corps by the National Advisory Council on Educational Professions Development. The Council reported that IHEs were more resistant to making changes than the local schools and that change came harder to the more service oriented programs. 17/

In 1982 the Stanford Research Institute (SRI) published the results of a 3-year evalution of the Teacher Corps. 18/ Some of the more significant findings of the study include the following:

1. Major changes had taken place in the participating IHEs and the potential for continued change appeared to be great.

15/ Ibid., p. 308.

16/ Abt Associates. Innovation and Change. Vols. I, II, and III. Cambridge, Mass. 1972; Comptroller General of the United States, Assessment of the Evaluation of Teacher Corps Programs. Washington, D.C., General Accounting Office. July 14, 1972; and Crosby R., et al. Full-Scale Implication of a Process for Programs of the National Center for the Improvement of Education Systems. Bethesda, Maryland. Maryland Resource Management Corporation. 1972.

17/ National Advisory Council on Education Professions Development, p. 21.

18/ Stayrook, Nicholas, et al. Technical Status Report on Staff Development; Menlo Park, California, Stanford Research Institute International (SRI) January 1982; Moore, C. David, et al. Policy Frameworks for Local Action. Volumes I and II, SRI. 1982; and Bush, Robert and John Bock. Institutionalization of Educational Change. SRI. 1982.

Furthermore, much of the change that had occurred was expected to remain beyond the life of the Federal grant.

2. The Teacher Corps, in its 15 year existence, had used evaluation results to improve the program, and had responded to evaluations and other changes during that period. Program improvement was credited to the successful application of the evaluation process that placed great reliance on indepth, longitudinal case studies.

3. Administrative and leadership factors also were credited with producing lasting changes. As might be expected, changes were more likely when the values of the grantor and the IHE were congruent. Impact was more likely when a strong persistent project director from the faculty ranks used a "low-key" style of leadership, and when the leader was persistent and maintained the primary focus of the project.

4. Lasting changes were more likely when strong support was received from those controlling institutional resources. Impact was also more likely when technical assistance had been provided.

In summary, the evaluations generally concluded that the Teachers Corps program had been successful. They also reported that LEAs had increased the level of their staff development activities and that participating teachers appeared to have become more sensitized to educational problems in poverty areas, and to have benefitted from the interaction with others in the program. However, no assessments have been made of the long-term impact of the program.

Teacher Centers

Authorized by the Higher Education Act of 1976, project grants for Teacher Centers were made by the Teacher Center Office of the Department of Education to LEAs and/or IHEs to plan, establish, and operate the Centers. All Teacher Centers were governed by a policy board consisting of primarily elementary and secondary teachers. Projects were funded to provide a wide range of training opportunities in curriculum development and dissemination, and the improvement of teaching skills.

Teacher Corps programs focused on training teachers (either interns, new recruits, or experienced teachers) for poverty areas, while the Federal Teacher Centers sought to upgrade the skills of all experienced teachers regardless of teaching locale. The teacher center concept evolved primarily during the sixties, spurred by the 1957 launching of Sputnik that precipitated the national concern and the allocation of Federal funds for retraining teachers.

Organizationally, the Federal Teacher Centers were generally defined in terms of their governance structure or affiliation. For example, some Centers were affiliated with a particular IHE or educational association, others were part of a consortium and still others functioned independently. As part of a consortium, Centers were often established between one or more LEAs and an IHE at either a statewide or intrastate level. Some institutions chose to enter into a consortium relationship willingly, while other such relationships were prescribed by State-level legislative mandate or political influence. 19/

No single generally accepted definition of teacher centers has been identified. Centers are distinct from in-service education, in that they refer to a particular set of structures that provide specific kinds of programs, while in-service education refers to a "massive endeavor, and attempts to account for all training programs for educational personnel." 20/ Teacher centers most often focus on providing highly job-related activities. One discriminating characteristic of teacher centers, in contrast with traditional training

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19/ Yarger, Sam and Allen Schmieder. Understanding Existing Teacher Centers (in) Commissioner's Report on the Education Professions, 1975-76. Teacher Centers. Washington, Department of Health, Education, and Welfare. 1977. p. 43.

20/ Yarger, Sam. Inservice Education and Teacher Centers (in) Commissioner's Report on the Education Professions, 1975-76. Teacher Centers. Washington, Department of Health, Education, and Welfare. 1977. p. 30.

programs, is that teachers and local school districts have greater control over the programs.

The underlying premise of teacher centers is that teachers should play a more active role in efforts to improve their teaching performance. 21/ Teacher center advocates often have perceived this shared premise differently or attempted to achieve this end in a variety of different ways. Some centers have tried to provide training for all educational personnel in a school or school district; others have limited the program to practicing teachers (mostly elementary). 22/

Legislative History 23/

Teacher Center legislation was signed into law as part of the Education Amendments of 1976 (P.L. 94-482); funding began in FY 1978. The Commissioner of Education was authorized to make grants to local educational agencies, or a consortium of such agencies, and one or more institutions of higher education that serve teachers. The purpose of the program was to develop and produce curricula and provide training to improve the skills of teachers. Each center was to be operated under the supervision of a policy board, the majority of which was to be representative of the teachers to be served by the center. Applications were submitted through the State educational agency for review and comments, but the decision to make a grant resided with the Commissioner.

21/ Feiman, Sharon. Evaluating Teacher Centers. School Review, May 1977. pp. 395-411.

22/ Jordan, K. Forbis and Sharon Masanz, p. 2.

23/ Stevens, Anne and Mark Wolfe, A Comparison of the Teacher Corps and Teacher Center . . . ; and Annual Evaluation Reports. Department of Education.

Title V of the Education Amendments of 1980 (P.L. 96-374) amended the original Teacher Center legislation to provide for at least one Teacher Center grant in each State for each funded fiscal year. The 1980 legislation also provided for the governing board of the Teacher Center to include bilingual education teachers among its members when appropriate. Teacher Centers were phased out by P.L. 97-35, with final funding in FY 1981.

Funding History

Appropriations were first provided in FY 1978 at the level of $8.3 million. The highest level ($13 million) was in FY 1980; and the lowest level was in FY 1978. In FY 1981, the final year of funding, $9.1 million was appropriated.

Program Data

The program was funded from FY 1978 through FY 1981. In FY 1979, 89 grants were funded in 41 States, supporting 130 separate projects. By FY 1979, all States had appointed coordinators for teacher center activities.

During FY 1980, the year with the largest appropriation, 89 Teacher Centers were operated in 42 States. These programs typically involved one or more IHEs and one or more LEAs. Funding was also being provided for 10 planning grants.

Evaluations

No national evaluation has been made of the Teacher Center program. During the program's 4-year history, though, a variety of attempts were made to document activities at regional "clusters" of Teacher Center programs. The most comprehensive documentation activity, conducted at Syracuse University, was a national effort involving the review of 37 Federal Teacher Center programs between January 1 and August 31, 1980. 24/

The purpose of the Syracuse effort was to describe the activities and functions served by the Centers and to use the knowledge gained to improve future in-service education efforts. This activity is distinct from typical evaluation efforts because documentation activities, unlike evaluations, do not set out to judge the value of the program or to consider the program in terms of its strengths and weaknesses. For the most part, the findings presented below are based on self-reported data collected by the Syracuse University project staff via telephone interviews with on-site Teacher Center documentors. 25/

1. The composition of the Teacher Center policy board, i.e., teachers in the majority, was not perceived to be a problem in the decision-making process. Administrators in LEAs and administrators and faculty at IHEs also served on the boards, but in fewer numbers than the teachers. The majority of the LEAs and IHEs that housed Teacher Centers reported few if any problems with the policy board. 26/

2. In general, classroom teachers determined the substance, structure, and delivery mode of the services and resources provided in the Centers. Nearly 60 percent of participant time in the Centers was spent on activities related to pedagogical skills. 27/

3. Teacher Center activities were not heavily focused on helping teachers develop skills to work with special needs populations, i.e., handicapped, gifted and talented, and economically disadvantaged. 28/

24/ Mertens, Sally K., and Sam J. Yarger. Teacher Centers in Action. Syracuse, New York, Syracuse Area Teacher Center. Syracuse University. January 1981.

25/ Participating Teacher Centers volunteered to participate in the documentation study.

26/ Mertens, Sally K. and Sam J. Yarger, p. 158.

27/ Ibid., p. 146.

28/ An underlying theme of Teacher Centers often was that teachers should decide for themselves what their training needs are and then should develop in-service offerings to meet those needs. Some observers have pointed out that this practice may have resulted in the neglect of special needs populations.

4. The content of Teacher Center activities was generally sharply focused, narrowly targeted, and of short duration. Apparently, teachers preferred in-service programs designed to reduce the complexity of the school environment. 29/

Education Professions Development Act (EPDA)

The Education Professions Development Act (EPDA) was enacted as an amendment to the Higher Education Act in 1967. Historically, the Act's beginnings may be traced to the post-Sputnik era which produced the National Defense Education Act (NDEA), the Cooperative Research Act (the first major Federal support for educational research), and institutes for teachers established under the NDEA and the National Science Foundation (NSF).

The EPDA was an umbrella program designed to attract qualified persons to careers in education as teachers and administrators, generally in elementary and secondary schools. Provisions were included for the training and retraining of current personnel and fellowships for graduate study for a variety of professional education positions in elementary and secondary schools. Many individual programs were funded under EPDA's broad authority.

Legislative History 30/

H.R. 10943, extending the Teacher Corps and a teacher fellowship program and authorizing four new teacher-related programs, was quickly considered and approved by the 90th Congress, largely because the Teacher Corps was in danger

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29/ Mertens, Sally K., and Sam J. Yarger, p. 148.

30/ Dorko, Kathryn. P.L. 90-35--Education Professions Development Act, as amended. CRS Multilith 71-134 ED, May 18, 1971; Katherine Montgomery. Background and Summary of the Education Professions Development Act. CRS Multilith 73-74 ED, March 22, 1973; and United States Code, 1970, Education Supplement V, 1975. Titles 20-41, p. 1570-1576.

of expiration. 31/ The legislation, renaming title V of the Higher Education Act as the Education Professions Development Act, was introduced on June 19, 1967, and passed the House on June 27 and the Senate on June 28. The bill was signed into law on June 29, 1967, as P.L. 90-35.

This new legislation amended and extended title V of the Higher Education Act of 1965 by:

1. establishing a National Advisory Council on Education Professions Development to review and advise on the operation of this title and related programs;
2. authorizing a program to encourage qualified persons to enter the field of education;
3. extending and amending the Teacher Corp program; 32/
4. extending the teacher fellowship program to include graduate study in vocational, preschool and adult education, educational television and radio, child development, and school administration;
5. authorizing programs for advanced training and retraining of elementary and secondary education personnel;
6. authorizing fellowships for the training of education personnel in institutions of higher education; and
7. providing training for vocational education personnel.

EPDA was amended by P.L. 90-247, the Elementary and Secondary Education Act Amendments of 1967; P.L. 90-575 the Higher Education Act of 1968; P.L. 90-576, the Vocational Education Amendments of 1968; P.L. 91-230 the Elementary and Secondary Education Amendments of 1970, P.L. 92-318, the Education Amendments of 1972; and P.L. 93-380, the Education Amendments of 1974.

The EPDA, with the exception of the Teacher Corps, was repealed under the Education Amendments of 1976.

31/ Congressional Quarterly. Almanac [:] 90th Cong., 1st Sess., 1967. Vol. XXIII. p. 416.

32/ Amendments made to Teacher Corps program are described in detail in the section of this report entitled: TEACHER CORPS, Legislative History.

Funding History

Under EPDA's authority, the Commissioner of Education funded more than a dozen separate programs that were focused on activities such as attracting persons to teaching, improving teacher preparation, enhancing educational leadership, and addressing the teaching needs of schools serving special populations. As noted above, the title V, HEA activities that were authorized prior to 1967 (principally the Teacher Corps program) were subsumed under EPDA. In general, funding for new EPDA activities was first provided in FY 1969 and FY 1970, and terminated by FY 1975 or FY 1976.

For the principal EPDA programs, the estimated peak annual funding level and the fiscal year is as follows (peak funding level and the fiscal year(s) in which the peak occurred are in parentheses): Teacher Corps ($37.5 million, FY 1973-76); Urban/Rural School Development ($12.0 million, FY 1972); Career Opportunities ($26.2 million, FY 1972); Training of Teacher Trainers ($80.0 million, FY 1969); Teacher Development for Desegregating Schools ($9.5 million, FY 1970); Higher Education Personnel Fellowships ($5.0 million, FY 1972); EPDA, part E, Higher Education Teacher Training Institutes ($5.1 million, FY 1973); and Vocational Education Personnel Development ($11.9 million, FY 1973). 33/

Program Data

Given the large number of programs implemented under EPDA's authority, detailed statistics will not be presented for each program. Instead, the following chart contains for each specific program cited in the "Funding History" the

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33/ Department of Education Evaluation Reports.

number of projects and the number of participants supported with FY 1971 funds. These data illustrate the extent of EPDA activities.

Program	Estimated projects	Estimated participants a/
Career Opportunities	119	7,980
EPDA, Part E Institutes	93	5,350
Higher Education Personnel Fellowships	—	902
Teacher Corps	284	4,070
Teacher Development for Desegregating Schools	47	1,200
Teachers of Teacher Trainers	44	6,152
Urban/Rural School Development	33	7,600
Vocational Education Personnel Development	67	12,250

Source: FY 1972 and FY 1973 HEW Budget Justifications.

a/ Participants consist of teachers, interns, or graduate students.

Evaluations

In fall 1976, the National Advisory Council on Education Professions Development released a special report which contained a summary evaluation of EPDA. Although the findings generally supported the legislation, the Council concluded that, because of confusion about EPDA purposes, an effective evaluation could not be made of the Act. The report noted that expectations for EPDA may have been too high from the beginning; persons interested in education, from classroom teachers to school board members to college faculty, saw EPDA as a way to promote their "pet" ideas for reform or renewal of American education. 34/ These expectations, along with questionable planning and evaluation procedures, produced a situation in which EPDA "satisfied some people

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34/ National Issues in Education Professions Development, p. 4.

and groups not at all and some people and groups only partially . . . (and) for nearly everyone much of the dream ended in frustration." 35/

The Advisory Council's summary also cited historical factors that influenced EPDA. For example, some conflicts were related to the the major purpose of the legislation. The original emphasis was on improving the *quality* of teachers, but the legislative history indicated that the teacher *quantity* was a major reason for enacting the legislation. 36/ By 1970-71 the teacher supply and demand ratio had begun to balance out, thus those who originally had viewed EPDA essentially as a means of increasing the number of teachers in the workforce now saw EPDA as unnecessary.

The Council's summary faulted the individual EPDA evaluations because of: (1) an insufficient period of operation for EPDA programs for the results of the evaluations to be useful; (2) a conflict between the Nixon Administration and the Congress; (3) inadequacies of the evaluation design or processes; and (4) a lack of concern in the professional education community. 37/

The repeal of the EPDA may have been the result of a variety of factors including the end of the teacher shortage, the lack of a systematic evaluation plan, and reservations about program leadership and administration. 38/ On July 17, 1975, the chairman of the National Advisory Council testified that

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35/ Davies, Don, p. 211.

36/ National Issues in Education Professions Development, p. 9.

37/ Ibid., p. 11; and further evidence of evaluation weaknesses as cited by Anderson, R. and W. Salter. A Study of the Education Professions Development Act Training Programs for Higher Education Personnel, Volume I: Introduction and Summary of Findings. Final Report. Abt Associates, Inc. Cambridge, Massachusetts. 1973. p. 26.

38/ United States Code Congressional and Administrative News, 1976. Vol. 4. 94th Cong., 2d Sess. St. Paul, West Publishing Co. pp. 4743-4748.

the Council supported the "concept" of the EPDA legislation, but: (1) was "not overjoyed with it's administration;" and (2) felt that "there is little to be said for a demonstration project (that did not) figure out what it demonstrated." 39/ Even though EPDA was not reauthorized in the Education Amendments of 1976, the Teacher Corps component was retained as a separate program, and Teacher Centers were authorized as a new Federal program.

ACTION OF THE 98TH CONGRESS

The 98th Congress considered a number of bills designed to increase the quantity of new elementary and secondary school teachers and to improve the quality of current teachers. Those programs that amended the Higher Education Act are summarized in the following discussion.

The Carl Perkins Scholarship Program and a National Talented Teacher Fellowship Program 40/

Title VII of P.L. 98-558 (Human Services Reauthorization Act) amends title V of the Higher Education Act of 1965 by adding new parts E and F. Part E, the Carl D. Perkins Scholarship Program, authorizes a new program of scholarship grants for undergraduate students at institutions of higher education who intend to become elementary or secondary school teachers. Part F,

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39/ U.S. Congress. Senate. Committee on Labor and Public Welfare. Subcommittee on Education. Hearings, 93rd Cong., 1st Sess., July 17, 1973. Washington, U.S. Govt. Print. Off., 1973. p. 825.

40/ For an indepth analysis of the Carl Perkins Scholarship Program and the National Talented Teacher Fellowship Program see Summary and Analysis of Title VII of the Human Services Reauthorization Act of 1984 (P.L. 98-558), Legislation to Authorize a Carl Perkins Scholarship Program and a National Talented Teacher Fellowship Program, CRS Document. [by] Wayne Riddle, November 5, 1984.

National Talented Teacher Fellowship Program, authorizes a new program of 1-year leaves of absence for experienced teachers in public elementary and secondary schools.

Part D--Carl D. Perkins Scholarship Program

Scholarships of $5,000 per year for up to 4 years are authorized for up to 10,000 "outstanding" high school graduates who intend to pursue careers in teaching at the elementary or secondary level. Funds will be allocated to the States in proportion to each State's share of the total population. The amount authorized to be appropriated for this part is $20 million for FY 1986, $21 million for FY 1987, $22 million for FY 1988, and $23 million for FY 1989. 15/

Scholarship recipients are to be selected by seven-member panels to be established within each State. Selected students must rank among the top 10 percent of their individual high school class. The State panel is authorized to consider additional factors in the selection of recipients, including financial need, extracurricular activities, expression of interest in teaching, or letters of recommendation. Each State panel is required to "make particular efforts" to attract students from low-income backgrounds, or who express a willingness to teach in schools "having less than average academic results or serving large numbers of economically disadvantaged students." Scholarships are to be awarded without regard to applicants' sex, race, handicap, creed, or economic background. Selection criteria are also required to reflect the supply of and demand for teachers at specific levels or in specific subjects in the State, and are to be developed after consultation with the chief of State

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15/ If the maximum 10,000 individuals were to receive full $5,000 grants annually, the annual cost would be $50 million, well above the authorized appropriations level.

and local education agencies, private educational institutions, and other interested parties.

Any scholarship assistance received under this part is to be considered when determining a student's eligibility for assistance under the existing Federal student assistance programs (primarily Pell Grants, Guaranteed Student Loans, Supplemental Educational Opportunity Grants, and College Work-Study). Further, if the total of the scholarship plus other Federal student assistance would exceed a student's total "cost of attendance" (including room and board), then the Perkins Scholarship amount is to be reduced so that total assistance no longer exceeds the cost of attendance. Finally, the amount of the Perkins scholarship is also to be reduced from the $5,000 level if that amount above exceeds a student's total cost of attendance.

In return for the Perkins Scholarship, within 10 years of graduation, a student is required to teach 2 years per year of assistance. Such teaching must take place in either a public elementary or secondary school, or in a private school serving educationally disadvantaged children (with assistance provided under chapter 1, Education Consolidation and Improvement Act), handicapped children, or children with limited-English proficiency. For graduates who teach disadvantaged students, the service requirement is reduced from 2 years to 1 year per year of assistance. If graduates do not meet these service requirements, they will be required to repay a pro rata (based on length of service provided) share of the scholarship assistance, plus interest and collection fees. Service or repayment requirements could be temporarily suspended during periods of renewed full-time study, service in the military, temporary disability, or unemployment; or fully excused in cases of permanent disability.

Part F--National Talented Teacher Fellowship Program

Under this part, one fellowship per congressional district 42/ is authorized to be provided to "talented," experienced teachers in public or private elementary and secondary schools. The authorized level of appropriations for this program is $1 million for FY 1986, $2 million for FY 1987, $3 million for FY 1988, and $4 million for FY 1989. (If appropriations are insufficient to provide the full 442—including outlying areas—fellowships per year, an alternative distribution of available funds would be established by the Secretary of Education.) The award level could not exceed the national average salary for public school teachers.

Recipients of the fellowships are to be selected by a seven-member panel within each State. As with part E, this panel is to be selected by the "chief State elected official." Selection will be made on the basis of project proposals from the applicants and recommendations from two fellow teachers, the principal of their school, and the superintendent of their school district. Announcement of the awards is to be made in a public ceremony.

Individuals cannot receive fellowships for 2 consecutive years, and will be required to return to a teaching position in their current school district for at least 2 years following the year for which the fellowship is awarded.

42/ The legislation is ambiguous regarding whether the authorized level of fellowships authorized is 1 per year per congressional district, or simply 1 over the life of the program per district. The same individual cannot receive a fellowship for 2 consecutive years, implying an annual award process. However, the authorized funding level is more commensurate with the award of 1 fellowship per congressional district for the life of the program, since 442 fellowships multiplied by the average classroom teacher salary for 1981-82 ($20,114) equals $8,890,388, somewhat below the aggregate authorization of $10 million.

Fellowship recipients are authorized to use the funds they receive for:

—sabbaticals for study, research, or "academic improvement;"

—assistance to other school districts or private school systems;

—development of special programs; or

—model teacher programs and staff development.

Recipients are to repay funds to the Federal Government in cases of fraud or "gross non-compliance."

Legislative History

As an independent bill, H.R. 4477 was introduced as an amendment to title V of the Higher Education Act to authorize a Talented Teacher Scholarship program and a National Talented Teacher Fellowship program. The bill's sponsors had been members of the Education and Labor Committee's Merit Pay Task Force, which made its recommendations to the Congress on October 18, 1983. The bill was described as an embodiment of the Merit Pay Task Force's recommendations for Federal involvement to promote and upgrade teaching.

The bill was considered by the House on August 8, 1984, and passed under suspension of the rules. On October 4, 1984, during Senate floor debate on S. 2565, a bill to extend the Head Start Act and for other purposes, an amendment was proposed by Senator Baker to add authorizations similar to those provided under H.R. 4477 as passed by the House. The bill, as amended, was agreed to by the Senate and on October 9, 1984, the House agreed to the Senate-passed bill.

On October 30, 1984, the President signed S. 2565 (P.L. 98-558). No funds were appropriated for these programs by the 98th Congress.

PROGRAM ISSUES

Program issues include the Federal role in teacher education, adequacy of current programs, and considerations in structuring programs (i.e., program focus, program control, use of funds, and program evaluations).

Federal Role in Teacher Education

The adequacy of the teaching force in American public elementary and secondary education has been a major agenda item since the release of the report of the National Commission on Excellence in Education. 43/ Major areas of interest are: (1) the quality of current teachers in the schools; (2) insufficient qualified applicants for vacancies in specific areas such as teachers for classes in mathematics, science, education of the disadvantaged, and education of the handicapped; (3) criticism of current programs for preparing teachers; (4) the need for staff development programs to upgrade current teachers; and (5) reform of teacher education programs.

Recent data suggest significant problems with the Nation's teaching force. The academic ability of persons entering teaching is declining; the teaching force is "graying" and experiencing a shortage of new recruits in certain areas; and the most able new teachers are less likely to stay in teaching. 44/

Some observers contend that current conditions are sufficiently severe to justify new Federal action. Other observers agree that the problems exist,

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43/ A Nation at Risk: The Imperative for Educational Reform. The National Commission on Excellence in Education. Washington, U.S. Department of Education. 1983.

44/ U.S. Library of Congress. Congressional Research Service. The Teacher Workforce: Analysis of Issues and Options for Federal Action. White Paper by Nancy Borkow and K. Forbis Jordan November 7, 1983. Washington, 1983. 29 p.

but contend that education is a responsibility of States, localities, or institutions of higher education, rather than the Federal Government. Advocates for this position emphasize that States and localities are in the best position to determine the most appropriate responses and that programs have already been initiated in several States. A third position is that the problem merits some type of Federal action, but that independent legislation should be the vehicle rather than the Higher Education Act or that Federal teacher education programs should be included in existing elementary and secondary legislation.

In considering the question whether or not the situation is sufficiently grave to justify Federal action, questions that may merit consideration include the following:

—Should the quality of America's teaching force be a matter for Federal action, or left to resolution by States and localities?

—Are current quality and quantity concerns about America's teaching force of sufficient magnitude to warrant Federal action?

—Are conditions roughly similar, or different, across the Nation?

—Should some type of Federal action be taken to encourage school districts to raise the motivational levels and improve the status of teachers?

—Should a Federal program be started that will assist school districts in their efforts to seek the best teachers and dismiss the worst?

—Should a Federal program seek to change current teacher education practices in institutions of higher education?

—Is the primary goal to improve the performance of current teachers, upgrade the skills of current teachers, recruit the "best and the brightest" high school graduates into teaching, or improve teacher education programs?

—Do current Federal programs provide State and local school officials with sufficient amounts of funds and latitude in their use to resolve the issue if it is of sufficient priority?

Adequacy of Current Programs

The need for additional Federal efforts related to teacher education can be questioned because of the variety of Federal programs that are currently authorized and funded to address the teacher problem. The basic issue may be whether these current programs are adequate to address quality or quantity problems in the teaching force. Current non-Higher Education Act programs include teacher education activities authorized under the State education block grant funded through chapter 2 of the Education Consolidation and Improvement Act of 1981. Teacher Corps and Teacher Center programs were consolidated into this program. The activities authorized under chapter 2 include the broad power to conduct activities similar to those previously conducted under either program.

The major difference is that funds are allocated to LEAs, and no provision was included to ensure participation by IHEs or to require teacher membership on any advisory, policy, or governing body. In addition, this program included approximately 40 previously authorized activities that compete for chapter 2 funds without any "guarantee" that the funds will be used for teacher training or retraining programs. The FY 1985 appropriations for chapter 2 are $532 million, an increase of $53 million from FY 1984. Chapter 2 funds can be used for teacher training activities in the areas of basic skills development, educational improvement and support services, and special projects.

Other non-Higher Education Act legislation under which school districts may use funds for staff development programs include such programs as chapter 1 of the Education Consolidation and Improvement Act of 1981 (education of disadvantaged children), Education of the Handicapped Act (P.L. 94-142), and the Vocational Education Act. However, these funds may only be used for programs to train teachers to work with students in a specific program, and not on activities to assist teachers in working with "regular" students.

As discussed previously, the 98th Congress authorized financial support for a variety of teacher training programs. Funds were appropriated in FY 1985 for the Education for Economic Security Act (P.L. 98-377) to support elementary and secondary teacher improvement efforts primarily in mathematics and sciences. For FY 1985, over half of the $262 million appropriated for improvements in mathematics and science education authorized in P.L. 98-377 is to be used for teacher training activities in the selected subject areas.

Program Structure

Any new teacher education proposal in the reauthorization of the Higher Education Act likely will be subjected to careful critique because a variety of positions and points of view exist concerning the "best" organizational structure and focus of such an initiative. Underlying this effort is the continuing question of whether the primary purpose is to improve the quality of the current teaching force or to increase the quantity of quality persons entering teaching. Nevertheless, an analysis of previous Federal efforts suggests that consideration will be given to concerns such as the following in structuring new programs:

1. Program Focus. Should the program emphasize specific subject or discipline content, general pedagogy, or techniques for working with special needs students? Should new proposals revive previous approaches, or should a new model be proposed? Should all programs have a single focus, or should variations be permitted?
2. Subject Matter Restrictions. Should the effort be restricted to certain high priority areas such as science and mathematics; should all instructional areas be included; or should the program be limited to a small number of areas to be determined at the State, local, or national level?

3. Participation. Should the program design assume participation by virtually all teachers working in areas related to the program focus, or should participation be limited to the most successful teachers, students most qualified to become teachers, or teachers in "lighthouse" or exemplary school districts?

4. Administering Agency. Should grants for administering programs be awarded to LEAs, IHEs, SEAs, teacher organizations, or private firms? Should programs utilize existing institutions, or should new institutions and agencies be encouraged to become involved in training teachers?

5. Cooperative Activities. Should grants be restricted to consortia arrangements involving one or more LEAs with either a public or private agency that is to provide the training resources?

6. Funding. Should any Federal effort include cost-sharing by SEAs or LEAs from private sources?

7. Control. What role should teachers have in program decisions? Should one group (LEA administrators, teachers, or teacher educators) constitute a majority of the policy board, or should the voting seats be equally divided?

8. Program Evaluation. What provisions should be included to ensure that projects are evaluated in a timely manner that: (a) will permit the use of evaluation findings in efforts to update and improve the program; and (b) will provide information concerning the degree to which the program has met its objectives?

PROGRAM OPTIONS

In the following discussion, two alternative levels of Federal action are discussed. The first options assume that the problem and the issue merit direct Federal funding. The second group might be characterized as indirect responses.

Direct Funding Initiatives

A wide of range of options for Federal action might be considered, but experience with previous programs suggests that the following alternatives may encompass the following major options:

1. career development programs utilizing an experienced teacher working with interns in "hands-on" activities in LEA classrooms, with the interns pursuing a program to become qualified teachers;

2. staff development programs on a pilot or demonstration basis in which groups of teachers participate in in-service activities designed to improve their ability to perform their current teaching assignments;

3. teacher education program improvement grants to IHEs for developing new materials to improve current teacher education programs, developing IHE staff, forming cooperative working relationships with IHEs and/or LEAs, or establishing innovative or demonstration teacher education programs that could serve as national or regional models or resource centers.

4. scholarship/incentive programs for outstanding high school students to pursue teaching careers with: (a) funding at a sufficient level to attract quality students; and (b) a service or payback requirement that will encourage the program graduates to enter teaching; and

5. scholarships for: (a) unemployed teachers who need additional training to teach in academic teaching areas in which a shortage exists; or (b) persons with baccalaureate degrees who seek to meet entry-level professional education requirements.

A major policy choice appears to be whether the intent of any Federal effort would be to increase the "quantity" of teachers or to improve the "quality" of current teachers. In addition to this dilemma, during the current period of economic restraint for domestic programs, the level of funding required to implement an option likely will be a key factor in any decision to accept or reject a choice.

Career development programs might provide some relief on the quantity problem, but their full impact would be delayed until completion of a cycle in the program. This option might be restricted to subject areas in which there is a teacher shortage, thereby reducing the cost. The fiscal outlay could be reduced by limiting the program to certain areas of the Nation or certain types of LEAs perceived to have the highest level of need.

Of all options, staff development programs might have the most immediate impact on the quality problem and also reach the greatest portion of the America's classrooms, but general participation would increase the required funding level. In addition, the effect of this option should be visible in the Nation's classrooms almost immediately because current classroom teachers would be participating in the programs. Such programs, including retraining of current teachers, could also address specific shortage problems.

Teacher education program improvement grants would have the potential of addressing both the quality and quantity problem, but might not have an immediate impact on classroom instruction. Participation could be restricted to a limited number of higher education institutions, thereby making the immediate budget impact less.

Scholarship/incentive programs have the potential advantage of raising the quality of persons entering teaching, but fail to address quality problems related to current teachers. One dilemma with programs of this type is that requirements should be included to ensure that the scholarship recipients have sufficient incentive to enter teaching, but that consideration may need to be given to the relative merits of considering some alternative service requirement for those who are not successful in the classroom. 45/ An additional point is that these programs will not have an immediate impact.

45/ For additional information, see: U.S. Library of Congress. Congressional Research Service. The Experience with Loan Forgiveness and Service Payback in Federal and State Student Loan Programs. White Paper by Jim Stdeman. January 27, 1983. Washington, 28 p.

Indirect Initiatives

Various Federal activities and programs in the Department of Education are already targeted on the improvement of America's teaching force. For example, this issue is a current program priority for the National Center for Education Statistics, the National Institute of Education, and also the Secretary's discretionary fund under the State education block grants funded through Chapter 2 of the Education Consolidation and Improvement Act of 1981. Under the Reagan Administration's FY 1985 budget proposal, additional funds were for the latter two programs. Illustrations of potential additional activities include:

1. research projects that focus on current concerns such as variables affecting teacher performance and student learning;
2. information clearinghouse services about such items as successful teacher education and staff development programs; and
3. basic information concerning the status of America's teaching force including such items as the number of actual subject matter vacancies, inadequately prepared teachers, and teachers approaching retirement. For policy purposes, such information might be more useful if reported on a State-by-State basis.

SECTION 16
COOPERATIVE HIGHER EDUCATION PROGRAMS

Cooperative and work-study programs have been a part of higher education for many years. In both instances, students' earnings help defray the costs of their education. Work-study programs are often distinguished by the emphasis placed on earnings; students generally must demonstrate a need for the earnings in order to qualify for eligibility. Work-study employment is usually not systematically integrated into the student's academic objectives. Cooperative programs are distinguished by the responsibility the institution takes in coordinating employment with a student's academic objectives. Earnings are helpful but not the primary concern; a demonstration of financial need is not required of participating students. Academic credit is often given for the employment.

The concept of higher education institutions developing and maintaining cooperative programs with potential employers is new. The significant change in recent years is that firms are now working with institutions in the development of programs for current employees. In some cases, the programs have been re-designed to support affirmative action programs so that women and minorities may secure the additional education needed to achieve upward mobility without changing employers. In other cases, the firm recognizes that scientific and technical information is developing at a rapid pace and that training programs are needed to keep employees abreast of changes.

In the organization of college programs, the movement is toward greater flexibility. Rather than continuing to consider college as an isolated 4-year experience, both individuals and corporations are seeking programs that enable students to move in and out of the educational environment as changes take place in their jobs, financial status, or interest in education. Many corporations are beginning to endorse continuing education for their employees whether it takes place in their own corporate classrooms or in educational institutions.

Some of the outstanding examples of cooperative programs have been in the engineering fields in which students spend alternating semesters on the job and in the classroom in pursuit of a degree. These education programs bring a third participant into the educational enterprise; in addition to the institution and student, the employer becomes directly involved in the process of education. Classroom educational experiences often are influenced by the interaction between the three participants. The employer and the institution of higher education must devote considerable attention to joint planning and communication for the program to function effectively.

In cooperative programs, instructional content is conditioned by the needs of the employer, instilling relevancy in the program rather than basing the program on untested assumptions about the work environment that sometimes prevail under regular classroom experiences. Work and study become interactive wherein the student gains a much better understanding of the career potential and develops a personal interest in a particular occupation. Completion of the program may require more time, but the individual may have a much broader knowledge and base of experience upon entering regular employment.

Some institutions of higher education have expanded to meet the demands of the labor market by conducting cooperative programs with industrial firms. Courses and programs are utilized for technical and management in-service development. From the perspective of the firm, two major problems with cooperative programs are the time-lag between the decision to initiate a program and the actual starting of the program, and the perception of the firm that the courses and programs are relevant to their operations. As these programs have been reviewed, questions have been raised about the quality of program offerings, the percent of full-time faculty, adequacy of libraries, awarding of credit for work experience, and the slow pace of academic decisions. Some institutions have resolved this problem by establishing *ad hoc* arrangements for the purpose of expediting course and program review.

Recently, other educational alternatives have begun to emerge. The firm actually may teach courses and arrange for a higher education institution to offer the credit, or the firm may teach the courses and award credit under the American Council on Education's program for evaluation of college level offerings by corporations. Some of these programs have expanded to the point that firms have received approval for offering baccalaureate and advanced degrees.

These cooperative programs illustrate the degree to which current activities involve joint ventures between the corporate employer and institutions of higher education. One of the continuing challenges is for both parties to recognize the pressures that impinge upon this relationship. In their efforts to respond to the interests of the firm, institutions are being called upon to be more flexible in decisions related to traditional processes of course review, course content, staffing, and instructional settings. Also, rather than dealing with students on virtually an individual basis, the institution now finds itself dealing with a firm representing its own interest in education as well as the interests of a group of students. Consequently, the institution and the student are in a much less powerful bargaining position as decisions are made about offerings. The corporate employer, in turn, then has to cope with the traditional decision making process in higher education. Various observers have a continuing concern about the degree to which an institution can alter normal decision making processes, staffing patterns, and time allocations, and still maintain the desired level of educational quality and integrity under these developing types of cooperative programs.

PROGRAM DESCRIPTION

Federal assistance for cooperative programs in higher education is currently authorized under title VIII of the Higher Education Act, P.L. 89-329 as amended (HEA). Such assistance has been provided for these programs since FY 1970.

Under title VIII of the HEA, the Secretary of Education is authorized to make discretionary grants to institutions of higher education to stimulate the development of cooperative education programs. Institutions in turn operate the program in conjunction with public or private employers. Institutions assume the responsibility for assigning students to appropriate programs, and supervising and evaluating students, with employer input, during the work period. Students are provided work experience, either concurrent or alternating with periods of academic study, in areas similar to the student's academic and career objectives. Although the program helps students earn funds necessary for continuing or completing their postsecondary education, the emphasis is on the academic rather than financial benefits to the students. In most cases, academic credit is given for the work experience. Federal funds may not be used for compensation of students.

Four types of grants are made under title VIII: (1) administration grants that support campus-based programs for no more than 5 years, with the Federal share of the costs declining each year; (2) comprehensive demonstration grants that provide multi-year support of up to 3 years for institution-wide efforts to involve students from all academic fields; (3) training grants to provide assistance and guidance for faculty and administrators; and (4) research grants to study, collect, and disseminate information.

Federal support for administration grants is limited to $325,000 per institution, or $250,000 per institution when a combination of institutions is participating in a joint program. Funds are limited to 100 percent of the administrative costs of the program in the first year, 90 percent in the second year, 80 percent in the third year, 60 percent in the fourth year, and 30 percent in the fifth year. In making grants, the Secretary shall give priority to applications demonstrating that the programs have had a favorable reception by employers, and that the institution has made a commitment to continuing the programs after the termination of Federal assistance.

LEGISLATIVE HISTORY

Federal support for cooperative education programs was first authorized under title III of the HEA in 1965. Such programs were authorized only as a part of aid for strengthening developing institutions of higher education.

The Higher Education Amendments of 1968 (P.L. 90-575) initially authorized under title IV of the HEA (for student financial assistance) a cooperative education program with eligibility open to all institutions of higher education. Authorized activities were similar to those of the current program, except that comprehensive demonstration grants were not authorized. Federal support for a given institution could not exceed $75,000, nor extend beyond 3 years. Funds were not required to be supplied from non-Federal sources. Priorities were not specified for the approval of applications; rather, consultation was required with the Advisory Council on Financial Aid to Students prior to approval.

The Education Amendments of 1972 (P.L. 92-318) authorized demonstration grants for projects showing or exploring the feasibility or value of innovative methods of cooperative education.

The Education Amendments of 1976 (P.L. 94-482) re-wrote the cooperative education authorization as a separate title VIII of the HEA. The limitation on the amount of a grant to an institution was raised to $175,000, and the award period was extended to 5 years. A declining Federal share for each of the 5 years was required. The current system of priorities for the approval of applications was established.

The Education Amendments of 1980 (P.L. 96-374) established the current limitation on the amount of the award to a given institution, and other technical amendments were made.

The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) prohibited annual appropriations from exceeding $20 million for FY 1982 through FY 1984.

PROGRAM DATA

Title VIII is authorized through FY 1985, at $30 million for administrative grants and $5 million in total for training, demonstration, and research grants. The FY 1985 appropriation is $14.4 million. The authorization and appropriations history is shown in table 14-1. Recent grant awards are shown in table 14-2. In FY 1983, an estimated 175,000 students participated in programs funded at 196 institutions. The Administration's FY 1985 budget proposed the termination of the cooperative education program, and the inclusion of cooperative education activities under a modified College Work-Study program. The 98th Congress did not enact this proposal.

TABLE 14-1. Appropriations History for Cooperative Education Programs, Currently Authorized Under Title VIII of the Higher Education Act a/
(In millions of dollars)

Fiscal year	Authorization	Appropriation
1969	$1.1	-0-
1970	8.8	$1.5
1971	10.8	1.6
1972	10.8	1.7
1973	10.8	10.8
1974	10.8	10.8
1975	10.8	10.8
1976	14.0	10.8
1977	16.5	12.3
1978	22.5	15.0
1979	28.0	15.0
1980	28.0	15.0
1981	35.0	23.0
1982	35.0 b/	14.4
1983	35.0 b/	14.4
1984	35.0 b/	14.4
1985	35.0	14.4
		1970-1985 Total = $185.9

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a/ Does not include cooperative education activities authorized under title III for strengthening developing institutions.

b/ P.L. 97-35 prohibited appropriations for title VIII in excess of $20 million for FY 1982 through FY 1984.

Table 14-2. Grants Under the Cooperative Education Program Under Title VIII of the Higher Education Act, FY 1983 Through FY 1985,

Grants	FY 1983	FY 1984	FY 1985
Administrative grants:			
Number of new grants	150	150	(a/)
Number of continuations	20	20	(a/)
Total grants	170	170	(a/)
Amount (in millions)	$9.4	$9.4	(a/)
Comprehensive/demonstration grants:			
Number of new grants	12	7	(a/)
Number of continuations	3	8	(a/)
Total grants	15	15	(a/)
Amount (in millions)	$4.1	$4.1	(a/)
Training grants:			
Number of new grants	5	6	(a/)
Number of continuations	6	4	(a/)
Total grants	11	10	(a/)
Amount (in millions)	$0.9	$0.9	(a/)
TOTAL grants	196	195	(a/)
AMOUNT (in millions)	$14.4	$14.4	$14.4

a/ Data are not available.

Source: Testimony by the Department of Education on the FY 1985 budget request, U.S. House of Representatives, March 28, 1984.

EVALUATIONS

At least partially in response to Federal assistance for cooperative education demonstration projects funded under title VIII of the HEA, the number of institutions of higher education in the Nation that conducted cooperative education programs increased from 195 in 1970 to 1,049 in 1979. Such programs became increasingly more acceptable and desirable to a growing number of students. Student participants have been shown to have a more specific sense of career objectives, and a more direct connection between their college major and their post-graduate employment and careers. However, despite the fact that 1/3 of all postsecondary education institutions have participated in the program at some time, only an estimated 2 percent of all students have actually participated in these programs.

The Adminstration has taken several positions regarding this program. In FY 1983 and FY 1984, it requested no appropriations, stating that the benefits of the program had been demonstrated; such programs were widely available; and the program's objectives had been achieved. In FY 1985, the Administration again proposed no funds, but did propose authorizing cooperative education activities under a modified Work-Study program, with an increase of funds from $14.4 million to $16.0 million. In response, the 98th Congress did not modify the Work-Study program, but continued annual appropriations at a funding level of $14.4 million for each of these 3 years.

The last major study of the cooperative education program was completed in 1977; no new studies are being conducted or planned by the Department. The 1977 study raised few major objections or issues about the program. With a limited amount of Federal direction, and a relatively small amount of Federal seed money, the program has been implemented in a large number of institutions.

Both student and employer participants were found to have a positive outlook towards the program. Lifetime earnings of participants were estimated to be greater than for non-participants, even when an additional year of schooling was required. Reasons for the higher earnings included the additional earnings while in school, a shorter period of unemployment after graduation, and a higher starting salary. Additional costs to participating employers were found to be relatively small, and principally connected with initial start-up costs and some minor costs of student evaluation. On the average, participating students were paid less than regular employees, and employers perceived greater productivity from participants and reduced costs of recruitment when contrasted to regular employees.

Other highlights of the 1977 study included the fact that, while students and employers experienced immediate financial rewards from the program, the institutions experienced financial costs, amounting to more than $500 per year for participating students. Programs with larger numbers of participants tended to have lower costs per participant than smaller programs. The study also found that about a third of the student participants cited earnings from the program to be of paramount importance, and the portion was even higher for certain student subgroups, specifically minority groups and economically disadvantaged students. An exception to higher total lifetime earnings of participants was found for liberal arts majors. The study found that more than 3/4 of the participating institutions planned to expand their cooperative education programs, and almost one-half of currently participating employers planned to expand their participation.

PROGRAM ISSUES

Few major issues or concerns are related to administration of federally-assisted cooperative education programs. The issues are more philosophical in nature, concerned with the interaction between academic institutions, students, and employers.

Impact on Decisions

Because of their commitment to the students, employers often make demands on the institution and its students in terms of course content, staffing, and instructional setting. Institutions then typically become somewhat flexible in dealing with the needs of employers, while maintaining their objectives of educational quality and academic integrity. Participating students can no longer make individualized selections from academic offerings, but must choose from the more limited topics negotiated between the employer and the institution.

Labor Market Needs

Advocates of cooperative education could suggest that employers and institutions of higher education would benefit from a closer integration of advanced training and labor market demands. The benefits to the employers seem obvious, and the benefits to educational institutions could increase through the greater relevancy of students' skills, employment of their alumni, and greater support for the institutions from the corporate sector. Opponents could suggest that the addition of the third party, the employer, to the decisions that were once made solely between institutions and students threatens the traditions of academic freedom.

Purpose of Education

A large component of higher education has been the increase of knowledge for its own sake, of "learning to learn," of general education, and of the appreciation of the arts and humanities. Cooperative programs for this area of higher education may be more difficult to develop, with the possible consequence that institutions and students will place a declining value on arts and humanities curricula.

PROGRAM OPTIONS

Several options are available with regard to the Federal cooperative education program, including its termination, maintenance or expansion, or modification.

Termination

The initial objectives of the title VIII program appear to have been achieved. The original idea has been repeatedly demonstrated, and the results are consistent and are interpreted positively. Given this apparent success, one position is that institutions and employers can continue the idea for their own benefit and value. Increasing interest in cooperation appears to be developing between the private sector and education institutions, as well as increasing support and contributions. Justification for continued funding could be based on the contention that the Federal demonstration program in cooperative education provides one type of model for this interaction.

Maintenance or Expansion

In comparison to the overall amount of Federal assistance in higher education, funding for cooperative education programs is a relatively small amount. Given the apparent success of the program, it may be argued that Federal funds should be maintained. The results of the demonstration indicate that the spread of the program might stop without further Federal assistance. Although the program evaluations indicate that most institutions that have started the program intend to expand it, they also indicate that few institutions would have started the program without initial external funding. Few academic institutions are in the position to spend $500 or more per student for a program where the most immediate beneficiaries are students and employers.

Expanded funding for the program might be justified by the results of the previous demonstration as well. Since only 2 percent of the students at fewer than a third of the institutions of higher education have participated, there is ample room for program expansion. Expansion might also be justified in terms of an alternative to other forms of Federal assistance for students. In contrast to Federal funding for grants, loans, and the work-study program, the cooperative education program might be significantly expanded and still remain a modest program in comparison. Although a majority of participating students perceived of the program in terms of academic objectives, a significant minority viewed the program in terms of its immediate financial benefit. Program expansion on the basis of either result is within the scope of current Federal assistance programs in higher education.

Modification

Modifications might be made in the cooperative education program to bring a balance between the existing costs to the Federal Government and participating institutions and the apparent economic benefits to students and employers. One option might be to create a type of loan program that would assess participating students for the Federal share. Provisions could be enacted to require such students to repay a share of program costs, possibly on a delayed basis such as under the Guaranteed Student Loan program. Payments could be made directly to the Federal Government, or indirectly through the institution. Another feature might provide reimbursement to the institution through a share of the Federal repayment. In addition or as an alternative to student repayment, employers might be assessed for a share of program costs.

A different kind of option might be to replace direct Federal payments with a Federal tax incentive plan for employers. Tax credits or deductions might be designed to encourage employers to establish appropriate cooperative education programs, either as an activity by itself, or in conjunction with other forms of corporate support for institutions of higher education.

Another option might be along the lines proposed by the Administration in its FY 1985 education budget proposal, whereby cooperative education would be an authorized activity within the College Work-Study program. Cooperative projects might be left to the option of participating institutions, or be required at a specified percentage of institutional grants. The consolidation of these two programs might reduce the Federal administrative burden, with the possibility of increased flexibility in program operation by the institution.

SECTION 17
INTERNATIONAL EDUCATION PROGRAMS

International education programs, first authorized under title VI of the National Defense Education Act of 1958, were transferred to the Higher Education Act by the Education Amendments of 1980. The purpose of title VI is to assist institutions of higher education (IHEs) to plan and carry out programs to strengthen foreign language and international studies through institutional grants, student fellowships, and research activities.

The specific forms of program activity currently undertaken with title VI funds are:

1. national Resource Centers focused on (primarily graduate-level) language and area studies determined to be "critical to national needs." Most of these are focused on non-Western or otherwise uncommon languages and the nations associated with these;
2. foreign Language and Area Studies Fellowships for graduate students at the national resource centers as well as other university programs;
3. undergraduate International and Foreign Language programs which receive short-term grants to establish new programs;
4. the International Research and Studies Program which makes grants to IHEs and other organizations for the development of instructional materials in uncommon foreign languages and research on methods of foreign language instruction; and
5. business and International Education Programs which are intended to develop linkages between IHEs and the American business community in support of international trade.

Specific program priorities are announced in the annual application notice for title VI, the latest appearing in the Federal Register of October 19, 1984 (for the resource center and fellowship programs). According to this notice for fiscal year 1985 grant awards, special emphasis will be placed on proposals to evaluate (and apply standards to) foreign language programs, strengthen linkages between foreign language and area studies (FLAS) programs and professional schools (e.g., graduate business, law, etc.), increase the instructional time of foreign language classes, strengthen intensive summer language institutes, expand outreach programs for training elementary and secondary teachers, and study certain specified, uncommon, non-Western languages and cultures.

FUNDING HISTORY

The levels of funding authorization and appropriations for title VI are listed in table 17.1. Without adjustment for inflation, the funding level for this program has grown gradually over the 26-year period, with relatively substantial increases in FY 1965 and FY 1984. However, when adjustment is made for changing price levels over this period, the peak funding period was from FY 1965-1969; during this period, appropriations ranged from an estimated $47.0 to $54.6 million in terms of FY 1984 price levels (using the implicit price deflator index for State and local government purchases of services). Also in terms of FY 1984 price levels, the FY 1984 appropriation of $25.8 million, although substantially above appropriations in recent previous years, is somewhat below the overall average (mean) appropriation level of approximately $31.1 million.

TABLE 17.1. Authorizations and Appropriations for Title VI of the Higher Education Act (National Defense Education Act), FY 1959-1985
(In thousands of dollars)

Fiscal year	Authorization	Appropriation
1959	$8,000	$3,416
1960	8,000	7,300
1961	8,000	6,554
1962	8,000	8,000
1963	8,000	7,970
1964	8,000	8,000
1965	13,000	13,000
1966	14,000	14,000
1967	16,000	15,800
1968	18,000	15,700
1969	16,050	15,450
1970	30,000	12,850
1971	38,500	7,170
1972	38,500	13,940
1973	50,000	12,850
1974	75,000	11,333
1975	75,000	11,300
1976	75,000	13,300
1977	75,000	13,300
1978	75,000	15,000
1979	75,000	17,000
1980	75,000	17,000
1981	57,750	19,800
1982	30,600 a/	19,200
1983	30,600 a/	21,000
1984	30,600 a/	25,800
1985	87,500	26,550

a/ Authorizations limited under provisions of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

PROGRAM PARTICIPATION

Table 17.2 lists the estimated number of grants or fellowships and total funding level for each of the five title VI programs for FY 1984 and 1985.

TABLE 17.2. Estimated Participation and Funding for Title VI Programs, FY 1984 and 1985
(In thousands of dollars)

Program	FY 1984	FY 1985
National Recource Centers		
Number of centers	90	90
Funding level	$12,100	$12,100
FLAS Fellowships		
Number of fellowships	600	800
Funding level	$7,200	$7,200
Undergraduate Programs		
Number of fellowships	60	n/a a/
Funding level	$3,000	n/a
Research		
Number of projects	25	n/a
Funding level	$1,500	n/a
Business and International Education		
Number of projects	45	n/a
Funding level	$2,000	n/a

a/ n/a = not available.

The primary focus of funding (75 percent of the FY 1984 appropriation) and other attention regarding title VI has been on the center and fellowship programs. To a large extent, these are not actually separate programs, since the majority of the fellowships are allocated to universities which have one or more grants to operate national resource centers. Although it has been estimated that, in 1980 the centers funded under title VI represented only 14 percent of all IHE foreign language and area studies centers in the nation, the contention is that those supported under title VI are among the highest quality programs. 1/ Further, those IHEs with the highest concentrations of international studies faculties tend to have one or more title VI-funded centers. On average, direct title VI assistance (not counting fellowships) has been estimated to constitute only about 9 percent of center budgets. 2/ There has been substantial debate (discussed below) over whether this share provides a "critical margin" of support, or is simply "marginal."

RATIONALE

Throughout the life of this program, two largely different sources of justification have been used; each has been associated with different program activities or emphases. The rationale associated with the largest program provisions, the national resource centers and fellowships and the research and business and international education programs, is the perceived national need--based on defense, foreign policy, and more recently, international trade requirements--for a relatively small cadre of highly trained (usually Ph.D. level) specialists in the language, culture, and society of all areas of the world. The contention has been that although Federal Government agencies (both military and civilian) operate their own language training institutes to meet their immediate needs, and business firms often hire foreign nationals rather than American specialists in their operations abroad, the national interest requires Federal support of university FLAS centers. A further contention has

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1/ McDonnell, Lorraine, et al. Federal Support for International Studies: The Role of NDEA Title VI.

2/ Burn, Barbara B. Expanding the International Dimension of Higher Education. p. 117.

been that external support is needed for these centers since they often involve uncommon, non-Western languages and cultures, and provide classes which attract small enrollments and are therefore hard for universities to justify providing without additional support. Also, an additional contention has been that the Federal Government, with its primary responsibility for foreign relations, has a special responsibility to improve the Nation's capacity to comprehend foreign nations' languages and cultures.

The second rationale offered for title VI programs is broader in both intent and coverage of implied activities. This position is that an international aspect should be added to the curriculum of American students in all subjects and at all levels of education, and that the Federal Government (again with reference to its foreign relations responsibilities) should play a leadership role in supporting such education. While the first rationale is reflected in the title VI programs for national resource centers, fellowships, research, and business and international education, this second rationale has been tied to the undergraduate FLAS program, various "outreach" activities undertaken by the national resource centers, and previously authorized title VI programs for elementary and secondary teacher summer language institutes and "Citizens Education for Cultural Understanding." Historically, as indicated in the following section, the first rationale dominated title VI activities in the early, and to a lesser extent the more recent, years of the program, and the second rationale was applied more frequently from the mid-1960s through the 1970s.

LEGISLATIVE HISTORY

As indicated above, this program was first enacted as title VI of the National Defense Education Act of 1958 (P.L. 85-864), and remained under that authority until 1980. As originally enacted, the program authorized the following activities: FLAS centers, fellowships, research, and summer language institutes for elementary and secondary school teachers. The first three have continued in substantially similar form; the teacher institutes were transferred from title VI to a new NDEA title IX in 1964 (P.L. 88-665), authority for the latter was terminated after 1967. Major amendments to title VI were contained in the Education Amendments of 1972 (P.L. 92-318), 1976 (P.L. 94-482), and 1980 (P.L. 96-374).

The program of grants to "internationalize" undergraduate curricula was first authorized in the Education Amendments of 1972. This legislation echoed themes of the International Education Act (IEA), which was enacted in 1966, but never funded. The IEA had authorized a number of activities intended to help lend an "international perspective" to education at all levels. The 2-year "seed money" grants first authorized in 1972 have implemented at least part of the intent of the IEA. P.L. 92-318 also authorized grants for centers focused on specific topics (e.g., energy or food issues) in an international perspective, in addition to regional (e.g., Southeast Asia) centers.

Another new program of broad intent and impact was added to title VI by the Education Amendments of 1976--the "Citizens Education for Cultural Understanding" program. The intent of this program was to increase general awareness of, and education about, global issues of domestic consequence. Although first authorized in 1976, this program was not funded until 1979 because of a "trigger" provision, under which funds would be available for the new program only if total title VI appropriations exceeded $15 million.

The Education Amendments of 1980 amended title VI in three ways. The citizens education program was transferred from title VI to title III of the Elementary and Secondary Education Act (the latter was consolidated into the chapter 2 block grant under the Education Consolidation and Improvement Act of 1981). Second, title VI was transferred from the National Defense Education Act to the Higher Education Act. Finally, a new part B was added to title VI--Business and International Education Programs. This new program was intended to promote links between institutions of higher education and American business firms engaged in international trade, with the aim of improving the competitive position of these firms.

Finally, the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) limited the authorization level for title VI to $30.6 million for each of fiscal years 1982-84. Although not directly tied to Federal legislation, such legislation was preceded and complemented by substantial private sector foundation contributions to foreign language and international studies from the late 1940s through the late 1960s. In particular, the Ford Foundation contributed an estimated $270 million to IHEs for this purpose between 1953 and 1966. 3/ Since that time, the decline of foundation support has placed increased reliance on internal and Federal resources.

PROGRAM ISSUES

A number of issues or concerns related to the title VI program are discussed below. These are--program focus, implications of employment trends, "seed money" vs. ongoing support, Federal funds as "marginal" or "critical," and the extent to which Federal Government requirements are best met by specific agency programs.

3/ Association of American Universities. Beyond Growth: The Next Stage in Language and Area Studies, p. 9.

Program Focus

As noted earlier, title VI has (at least since 1972) been a somewhat "schizophrenic" program--originally and primarily focused on training a relatively small number of specialists at the postgraduate level, yet also intended to help provide an international perspective to the education of all students and even society at large. Some critics have argued that this split in goals has hindered the effectiveness of title VI and made it less efficient than it would be with a more consistent focus, especially considering that broader purposes have generally been added to title VI without a commensurate increase in the funding available.

In response, defenders of the current program structure have contended that the only major international education legislation in the Department of Education should reflect both the "narrow" (i.e., specialist training) and "broad" (i.e., more general exposure to international issues) purposes, since they consider both to be of equal importance. They further have contended that any difficulties caused by the mix of purposes could be resolved by the provision of additional program funding.

Implications of Employment Trends

As the size of the traditional college-age group has declined and total postsecondary enrollments have reached a plateau, the ability of those earning Ph.D. degrees in FLAS programs to obtain academic posts appears to have substantially diminished. In addition, job opportunities requiring the specific skills of these highly educated individuals in government and business have not grown as rapidly as had been anticipated by many supporters of the title VI program. Business firms, in particular, are said to have tended to hire foreign nationals for their operations abroad rather than American specialists in the language and culture of the foreign countries. Thus, both the proportion of title VI graduates finding academic jobs, and the proportion finding jobs anywhere that are commensurate with their skills and education, appear to have declined. According to a recent report on the experiences of FLAS graduates, only 48 percent of recent FLAS graduates (both M.A. and Ph.D. degrees) will obtain academic jobs. 4/ Another study found that the proportion of new FLAS Ph.Ds. obtaining academic jobs fell from 68 percent in 1970-71 to 55 percent in 1976-77. 5/

Thus, the original justification for this program of numerous unfilled vacancies for academic or government posts no longer appears to exist. However, many analysts have argued against use of a direct, "labor market" approach in considering the need for, or value of, title VI. According to one recent report, "[E]ffective demand for area specialists in terms of job opportunities is decreasing, at the same time that the national need for high-quality specialists continues." 6/ These analysts contend that demand for FLAS specialists should be stimulated by better utilization of their skills, especially in government and business; and that FLAS programs, which have generally focused primarily on preparing individuals for careers in teaching or research and emphasized subjects in the humanities, should be redirected toward combining FLAS with professional education and applied policy sciences. Within the academic sector, the average age of FLAS instructors is substantially above that for the professoriate in general, so the need to replace these individuals

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4/ Association of American Universities, p. 132.

5/ Burn, p. 132.

6/ Association of American Universities, p. 128.

will arise relatively quickly. 7/ Finally, those in favor of the continuation of title VI support in spite of current market conditions contend that these labor demand conditions are temporary and likely to change in the future, while in the meantime title VI centers require stable, long term support to avoid the inefficiencies of repeated program decline and expansion.

The Department of Education has attempted in recent years to improve FLAS program linkages with professional schools and reduce the historical emphasis on preparing graduates for careers in teaching (primarily in the humanities). Recent evaluations indicate relatively little success in the attempted program redirection. Apparently, the title VI program alone has not had sufficient influence to reduce institutional barriers and rigidities between FLAS and professional programs and students.

"Seed Money" vs. Ongoing Support

Many individuals in favor of reducing or terminating the title VI program contend that it was originally intended to provide only "seed money" to encourage the development of FLAS programs, not to subsidize their continuing operations once established. They further have argued that this purpose has been (at least substantially) accomplished and the Federal role fulfilled.

In contrast, others have contended that since the Federal interest in FLAS programs has continued, so has a Federal responsibility to provide a share of the continuing costs, both in order to communicate that national concern and to provide a policy lever for program redirection when necessary.

7/ It has been estimated that 40 percent of FLAS instructors, but only 25 percent of all college faculty, will reach age 65 during the 1980s. Barber, Elinor G. and Warren Ilchman. The Preservation of the Cosmopolitan Research University in the United States: The Prospect for the 1980s, in Annals of the American Society of Political and Social Science, 1980. pp. 56-79.

Federal Funds As "Marginal" or "Critical"

Direct title VI funding to institutions represents a minority of FLAS program budgets; this share is usually estimated to be approximately 10 percent. This excludes indirect support via Federal funding of FLAS fellowships (estimates of budgetary shares which take fellowship support into account do not appear to be available).

Obviously, in a direct or immediate sense, FLAS programs are not primarily dependent on Federal funds. Most FLAS programs likely would not collapse immediately if Federal support were withdrawn. Supporters of such withdrawal have argued that FLAS programs are now well-established and could replace lost Federal funds with internal or other external (i.e., philanthropic) support.

In response, those favoring continuation of the current program have contended that Federal support is "critical" because it is used for purposes which are of great educational value for which regular institutional resources are not available. Examples which have been offered include small-enrollment classes in uncommon languages (which are too small and expensive to be self-supporting), special conferences, faculty travel, visiting professors, and foreign language library resources. In addition, proponents contend that the Federal support, even if relatively small, enhances the stature of FLAS programs and helps them to obtain a greater share of institutional resources than would otherwise be the case. Finally, the decline in foundation support of FLAS programs since the 1960s is used to argue that philanthropic funds cannot be expected to fill a gap left by termination of Federal support.

Best Way to Meet Federal Foreign Language Requirements

Numerous Federal agencies maintain their own foreign language (and in some cases, broader area study) programs. These differ from IHE programs in general because they are shorter, more intensive, and more narrowly focused. Those favoring termination of the title VI program have argued that Federal needs would be best met via continued, and even expanded, reliance on these agency programs rather than university-based programs, because the agency programs are more efficient and better targeted to meet specific national requirements.

Defenders of title VI have responded that although a partial "dual system" (i.e., Federal agency and university) of FLAS education exists in this country, any inefficiencies could--and should--be reduced by greater coordination of these two types of programs. They further argue that university-based FLAS programs are essential to meeting direct Federal needs by providing the continuing, comprehensive resource base which can be called upon, directly or indirectly, to meet more immediate, specific, and changing Federal needs; and that university-based scholars are often used by Federal agencies on either a consulting or contract basis.

PROGRAM OPTIONS

Program options discussed below include: continue current program and funding level, terminate programs, emphasize only the education of specialists, broaden activities and increase funding, improve coordination between institutions of higher education and Federal agencies, create a separate agency to administer this (and other similar) Federal programs, and increase business contributions to international education. Where appropriate, recommendations from advisory bodies or legislative proposals are mentioned.

Continue Current Program and Funding Level

This option would be commensurate with the position that the Federal role in this area, while "marginal" and split between "narrow" and "broad" program purposes, remains an important Federal investment, yet that there is no obvious need—or Federal budgetary resources—for significant program expansion. No recent advisory bodies have explicitly favored this approach; in general, they all favor some form of program expansion. However, two bills introduced in the 98th Congress did follow this direction. S. Con. Res. 95 (Dodd and Pell) and H. Con. Res. 258 (Pannetta) were introduced in response to a Reagan Administration proposal to terminate title VI funding in the FY 1985 budget request. These bills expressed the "sense of the Congress" that title VI programs be maintained, as actually occurred in the FY 1985 appropriations legislation.

Terminate Program

This was proposed in the Reagan Administration budget request for FY 1985, as well as Nixon Administration proposals of the early 1970s. Arguments favoring termination have been discussed above, and include assertions that the program was only intended to provide temporary "seed money" grants, that Federal support is marginal and can be replaced, that FLAS programs have become well-established and are unlikely to be discontinued, that specific Federal needs can best be met by programs operated directly by agencies concerned with foreign affairs, and that labor market conditions reflect the lack of an urgent need for additional FLAS specialists.

Emphasize Only the Education of Specialists

Many have contended that the current funding level for title VI is insufficient to meet both the "broad" and "narrow" program purposes, and that limited resources should be focused on the "narrow" purpose of educating FLAS specialists as the original and primary program goal. They further have contended that there should be more effective Federal direction regarding the particular types of specialists supported under this program (e.g., fewer humanists, more professionals) in order to better meet current national needs.

Recommendations commensurate (at least partially) with this option have been made by the authors of a recent Rand Corp. study of title VI [8] and a study prepared by the Association of American Universities under contract to the Department of Defense. [9] Implementation of this requirement would involve giving the Department of Education (ED) additional authority to identify specific national needs and make title VI grants commensurate with those needs. To some extent, ED attempts to do this now, but apparently has had relatively little success because of an inability to target grants sufficiently. Under this option, a "protected competition" could be established wherein only professional students could compete for a portion of the fellowships.

Also related to this option are recent proposals for additional FLAS activities in the strategically important area of the Soviet Union and Eastern

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[8] McDonnell, Lorraine, et al. Federal Support for International Studies: The Role of NDEA title VI.

[9] Association of American Universities. Beyond Growth: The Next Stage in Language and Area Studies.

Europe, which contributed to enactment in the FY 1984 Department of State Authorization Act (P.L. 98-164) of the Soviet-Eastern European Research and Training Act of 1983. This program, administered by the Department of State, is to support research contracts, teaching fellowships, and related activities, all to be conducted with costs to be shared by participating institutions of higher education. A somewhat similar proposal (that was not enacted) was S. 2187 (Moynihan), which would have established an "Andrei Sakharov Institute" as a Center for Soviet studies in the U.S.

Broaden Activities and Increase Funding

Another possible response to the conflict between program purposes and a constrained budget would be to broaden the purpose of increasing international understanding by students in all subject areas and the public at large. Often associated with this option are proposals for general support of foreign language education for all levels of students.

A broader program at a higher funding level has been recommended by the Modern Language Association's Task Force on the Less Commonly Taught Languages (1979), the President's Commission on Foreign Language and International Studies 10/ (1979), the National Advisory Board on International Education Programs (1983), 11/ and the National Commission on Student Financial Assistance (1983). 12/ Legislation proposed in the 98th Congress includes S. 1795 (Moynihan) and H.R. 2708 (Simon), the latter of which was passed by the House

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10/ Strength Through Wisdom: A Critique of U.S. Capability.

11/ Critical Needs in International Education: Recommendations for Action.

12/ Signs of Trouble and Erosion: A Report on Graduate Education in America.

on February 23, 1984, and both of which would have authorized grants for foreign language instruction at all levels of education.

The Education for Economic Security Act (P.L. 98-377) authorizes use of a limited portion of funds appropriated for it for foreign language instruction, but generally funds could be used for this purpose only under the condition that needs in science and mathematics education (the primary focus of the Act) had been met.

Behind such proposals is the position that the nations of the world are becoming increasingly interdependent economically and culturally, that all Americans need much greater ability to understand foreign languages and societies, and that the Federal Government has a special responsibility (because of its primary responsibility for foreign affairs) to support such education.

Improve Coordination Between Institutions of Higher Education and Federal Agencies

As noted earlier, there is to some extent a "dual system" of education in the less common, non-Western languages and societies in the U.S.--one in IHEs and a second operated by certain Federal agencies (primarily the Departments of Defense and State). Some have contended that total costs could be reduced by greater cooperation between those sectors--e.g., sharing of library and other instructional resources, courses provided on a contract basis, faculty members acting as "visiting professors," etc. In particular, the recent report by the Association of American Universities, under contract to the Department of Defense, provides a detailed discussion of this option. 13/

13/ Beyond Growth: The Next Stage in Language and Area Studies.

Create a Separate Agency to Administer This (and Other Similar) Federal Programs

Several analysts of the title VI program have criticized what they view as a lack of coordination with other Federal programs of FLAS education and international exchange, and a relatively low status and level of administrative resources for title VI within ED. These analysts have recommended creation of a separate agency (of less-than-Cabinet status) to administer these programs. The contention is that such an agency might improve coordination among Federal programs, and between these and IHEs. This option has been recommended in the Association of American Universities study referred to above. The report of the President's Commission on Foreign Language and International Studies recommended keeping title VI in ED, but raising its bureaucratic status (to an Assistant Secretary position).

Increase Business Contributions to International Education

Some observers view the increasing international economic integration and competition as the source of the most immediate need for FLAS education in the U.S. However, business firms hire relatively few FLAS graduates and contribute relatively little to such programs. Thus, one option for this program, which was begun with adoption of the Business and International Education Programs (part B) provision in 1980, is to develop additional linkages between IHEs and export-oriented American business firms. This might be accomplished through increased funding for the title VI, part B program, or a new proposal such as the creation of a National Fund for International Study, recommended by the

National Advisory Board on International Education Programs. 14/ This would be a trust fund financed via contribution of a portion of certain international transactions (such as military material sales); the funds would be used to increase FLAS program attention to business firm needs as well as to increase recognition by firms of the potential uses of FLAS graduates and other resources.

14/ Critical Needs in International Education: Recommendations for Action.

SECTION 18
THE FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION

The Fund for the Improvement of Postsecondary Education (FIPSE), title X of the Higher Education Act of 1965, provides financial support to public and private nonprofit organizations to improve access to and the quality of postsecondary education. First established under the Education Amendments of 1972, the FIPSE charter remains today very much the same as it was a decade ago. Over the years, the FIPSE legislation has consistently reflected three basic themes.

First, the statutory language in title X (and earlier FIPSE legislation) provides that the Fund support activities that offer equal and expanded opportunities for all, as well as activities that are tailored to individual needs. Over 90 percent of FIPSE supported programs have been designed to meet individual needs and expand individual opportunities. 1/

Second, within this context of expanded opportunity and equal access, the statutory language provides FIPSE with the authority to support a broad array of organizational and institutional activities. Traditionally, Federal efforts to improve education have generally directed financial support to various agencies within the educational community. The FIPSE legislation, however, encourages support for postsecondary education to be provided through not only established educational organizations, but also through less traditional avenues,

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1/ U.S. Congress. House of Representatives. Education and Labor Committee. Subcommittee on Postsecondary Education. Hearings, 96th Cong., 1st Sess., June 12-13, July 12-13, 1979. p. 421.

including professional associations outside the field of education, teaching hospitals, and telecommunication organizations.

Third, the FIPSE legislation supports a mandate for reform and innovation. The title X legislation (and prior legislation) authorizes FIPSE to support activities: (1) that "encourage" institutional reform and "expanded" individual opportunities; (2) that create institutions, programs and "new paths to career and professional training;" and (3) that develop innovative and cost-effective methods of instruction and operation.

Innovation and change are also reflected in the administrative provisions provided in the FIPSE legislation. For example, the statutory language authorizes five FIPSE staff positions (out of approximately 12 professional positions) to be appointed for terms not to exceed 3 years. The legislative intent is that intermittent changes in staff will encourage creativity and innovation at the Federal level, while at the same time help keep the Fund responsive to change within the postsecondary education community.

HISTORICAL PERSPECTIVE

The conceptual basis for what has become FIPSE evolved out of earlier legislative attempts to establish a National Foundation for Higher Education. 2/ The original Foundation proposal—introduced by the White House in 1970—was

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2/ Prior to the introduction of this legislation, the Carnegie Foundation and the Danforth Foundation advocated a new Foundation which would be independent from the Federal Government and would address the needs for reform in higher education. They viewed the Foundation functioning more as: (1) a semi-autonomous agency within the Federal Government; and (2) an agency with a mission of reform along with a mandate to address "critical" issues not otherwise addressed by the Federal Government. (from) Bunting, C. The Process of Program Initiation at the Federal Level: Papers on the National Foundation for Postsecondary Education. Unpublished Dissertion: Harvard University, 1973; and Demester, L. Analyzing Implementation Issues of a Discretionary Grant Program. Dissertation in Progress. George Mason University.

to create an autonomous organization which would function outside of any executive agency and which would be modelled after the National Science Foundation. The new Foundation's charter would be to provide support for "excellence, innovation and reform," by providing grants to strengthen instruction and by authorizing an organization concerned with national policy in higher education. However, there was little congressional support for this first proposal. Several factors appear to have contributed to the lack of congressional interest. First, both the higher education community and Congress were uncomfortable about the proposed move of several programs from the Office of Education to the new Foundation; second, selected higher education interest groups were concerned that the Administration was going to use the Foundation proposal as a "substitute" for a more substantial grant program of direct institutional support; third, as suggested by Bunting in his analysis of the legislative development of FIPSE, "educators were antagonistic toward any proposal endorsed by Richard Nixon;" 3/ fourth, a feeling that the proposal was poorly-timed, i.e., key Members of Congress were planning to address issues in higher education the following year (1971) when most of the higher education legislation was due to expire; and fifth, selected Members of Congress perceived the concept of a Foundation to be "elitist." 4/

In 1971, the Nixon Administration again introduced legislation in support of a National Foundation in Higher Education. Two major features of the second proposal set it apart from the earlier proposal: (1) the new legislation was created by policymakers and educators within the Department of Health, Education, and Welfare (HEW)--the first had been written by the White House; and

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3/ Bunting, C., p. 10.

4/ DeMuster, L., p. II-16.

(2) the second proposal did not authorize moving existing programs from the Office of Education to the new Foundation. With the exception of these significant changes (i.e., significant in the sense that much of the opposition to the initial proposal was now appeased) the structure and concept of the Foundation remained largely intact. Further changes were made to this second proposal during House-Senate conference committee meetings (see Summary of Legislative History below). However, overall the legislation that was signed into law in 1972 continued to reflect two major themes present in the administration's 1971 proposal: (1) a mandate for reform; and (2) semi-autonomous status for the the new agency. 5/

LEGISLATIVE HISTORY

In March 1971, the Nixon Administration introduced the Higher Education Opportunity Act which included a provision for a new agency, the National Foundation for Higher Education. In August 1971, the Senate unanimously passed the Administration's proposal for a new agency intact, with the exception of two changes: (1) renaming the proposed new agency the National Foundation for Postsecondary Education, along with substituting the term "postsecondary" for "higher education" wherever it appeared; and (2) replacing the proposed advisory board (in the new Foundation) with a board of directors. However, the House companion bill to the Higher Education Opportunity Act omitted provisions for the new Foundation. In 1972, a House-Senate Conference Committee resolved the differences between the two bills by: (1) including in the House-Senate compromise bill provisions for the new agency; (2) omitting "Foundation" from the title of the new agency; and (3) reducing the funding

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5/ Bunting, C., pp. 9-12 and DeMuster, L., p. II (16-28).

authorized in the original bill from $200 million to $10 million, $50 million and $75 million for the first 3 years. In July 1972, President Nixon signed into law the House-Senate compromise bill (the Education Amendments of 1972, P.L. 92-318) which established "Support for the Improvement of Postsecondary Education" under section 404 of the General Education Provisions Act (GEPA).

The Education Amendments of 1976 (P.L. 94-482) amended section 404 of GEPA by striking out "Support For" and in its place adding "Fund for The."

The Education Amendments of 1980 (P.L. 96-374) transferred the statutory authority of FIPSE from section 404 of GEPA to title X of the Higher Education Act of 1965. The purpose was to give the Fund more visibility under the new Department of Education. 6/ The Education Amendments of 1980 made two other changes in the FIPSE legislation. First, the title X legislation established a statutory base for the Fund's National Advisory Board, with the intent that the Board was to continue to function as it had in the past. Secondly, title X authorized the Director of the Fund to establish "receipt and review" procedures (for grant competitions); this recognized that the Fund was unique from the rest of the Department of Education and required different review policies and procedures from those practiced elsewhere in the Department.

FUNDING HISTORY

FIPSE was first funded in FY 1973 at a level of $10 million. The appropriations peaked in FY 1980 (and FY 1981) at $13.5 million. In FY 1985, $12.7 million is appropriated for FIPSE activities. As table 18-1 indicates, over the years FIPSE's appropriations have remained relatively stable.

6/ The Office of Education (under the Department of Health, Education, and Welfare) became the Department of Education in May 1980.

TABLE 18.1. Funding History for the Fund for the Improvement of Postsecondary Education

Year	Authorization	Appropriations
1973	$10,000,000	$10,000,000
1974	50,000,000	10,000,000
1975	75,000,000	11,500,000
1976	75,000,000	11,000,000
1977	75,000,000	11,500,000
1978	75,000,000	12,000,000
1979	75,000,000	13,000,000
1980	75,000,000	13,500,000
1981	20,000,000	13,500,000
1982*	13,500,000	11,520,000
1983*	13,500,000	11,710,000
1984*	13,500,000	11,710,000
1985	50,000,000	12,710,000

*Authorization for appropriations as provided under the Omnibus Budget Reconciliation Act of 1981.

PROGRAM DATA

Within the framework of the prescribed goals and objectives of title X, FIPSE supports projects that are intended to: (1) address commonly perceived problems in postsecondary education; (2) have the potential for far-reaching and significant impact within the postsecondary community; (3) be locally developed; and (4) represent a wide range of postsecondary institutions.

For the fiscal years 1980-83, FIPSE awarded the following types of competitive grants and contracts:

--Comprehensive Program: Over 95 percent of FIPSE's annual funding supported various innovative education improvement programs. Grants/contracts were awarded to organizations focused on postsecondary improvement in such areas as the integration of school and work, school/business partnerships, educational delivery services, and graduate and professional education and employment for women and minorities.

--Mina Shaughnessy Scholars Program: Grants were awarded to educational practitioners for the analysis and dissemination of important advances in postsecondary education. (Jointly sponsored with the Carnegie Foundation).

--Final Year Dissemination Grants: Under this program, a small number of dissemination grants were awarded to FIPSE projects in their final year of project activities. [7]

Specific examples of FIPSE supported projects in fiscal year 1983 include the following:

--to Boston College, a grant to provide workers employed in changing industries, seminars and counseling to increase their knowledge and preparation about economic and structural shifts in the economy.

--to the University of California/San Francisco, a grant to develop and implement a multidisciplinary, multicultural series of courses on women's role in health care. The project serves graduate students in the health professions, the social sciences and community practitioners in order to bridge the gap between conventional graduate and continuing professional education.

--to Educational Access Inc., a grant to determine why minority high school seniors are applying at reduced rates for admission to postsecondary institutions.

--to the League for Innovation in the Community College, a grant to create an Institute for Executive Development for top level women administrators in community colleges to prepare leaders who can function as organizational change agents.

--to the National Society for Internships and Experiential Education, a grant to help colleges that are attempting to continue their experiential education programs as budgets become constrained.

--to the National Institute for Work and Learning, a grant to test the use of interactive technology for skill acquisition and career development of urban minority youth and adults. The project builds on a collaboration between educational institutions, school districts, training agencies and area employers.

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[7] Both the Mina Shaughnessy Scholars Program and the Final-Year Dissemination Program are targeted competitions designed to highlight specific national concerns. The first year of funding for both programs was 1980. While the Comprehensive Grant Program has been active since 1973 (FIPSE's first funding year), the focus of the program has changed to reflect the changing needs and opportunities within the postsecondary community.

--to the New Jersey Institute of Technology, a grant to create a national data base of innovations in postsecondary education. This project is supported by various government and private foundations (including FIPSE) through electronic conferencing to promote continual discussion and learning about the innovations.

EVALUATIONS

Two major evaluations have been conducted of FIPSE. 8/ In 1978, the Office of the Assistant Secretary for Planning and Evaluation (ASPE) of the then Department of Health Education and Welfare (DHEW) contracted with the NTS Research Corporation to complete an evaluation of FIPSE as part of ASPE's preparation for the upcomming reauthorization of the Higher Education Act. The findings of this evaluation, as reported by the director of NTS in testimony made before the House Subcommittee on Postsecondary Education, are that the Fund should be considered an "unqualified success." 9/ The basis of the NTS evaluation was organized around two general questions:

--Are the projects supported by the Fund successful?

--Is the Fund a well-managed Federal agency?

In regard to the first question, NTS determined that FIPSE projects successfully satisfied the following evaluation criteria: (1) project activities were consistent with the Fund's congressionally mandated objectives; (2) significant impact was achieved by FIPSE projects, i.e., (a) 79 percent of the FIPSE projects had impact beyond the operation of the host institutions;

8/ Pelavin, S., et al. An Evaluation of the Fund for the Improvement of Postsecondary Education. NTS Research Corporation. Chapel Hill, N.C., 1980; and Pelavin Associates, Inc. The Fund for the Improvement of Postsecondary Education, A Second Look. Education Analysis Center. Washington, D.C., 1984.

9/ Hearing Before the Subcommittee on Postsecondary Education of the Committee on Education and Labor, p. 419.

(b) 73 percent of FIPSE projects helped host institutions be more receptive to change; and (c) a significant number of non-traditional students (i.e., minorities, the handicapped, the aged, houseworkers and offenders) were served by FIPSE projects; and (3) the majority of FIPSE projects had multiple purposes, and provided far-reaching and continuing impact. For example, 87 percent of the projects have disseminated information about their activities, over 1,000 institutions have attempted to replicate completely the activities of one of the FIPSE projects, and 87 percent of FIPSE projects addressed six (out of a possible eight) legislative objectives. 10/

In regard to the second question--Is the Fund a well-managed Federal agency?--the NTS evaluation examined two aspects of the FIPSE management, i.e., grant distribution and project monitoring. In terms of grant distribution, NTS found that over the years FIPSE has supported a "wide variety of projects located in broadly diverse institutions throughout the Nation." 11/ The majority (approximately 70 percent) "of the Fund's projects primarily direct their activities toward students. The remainder direct their services toward administrators, policymakers, counselors, or faculty members." 12/ In general, FIPSE projects are designed to improve current practice--since 1972 only approximately 10 percent of FIPSE projects have focused primarily on research.

In terms of project monitoring, "over 90 percent of the Fund's Project Directors viewed the Fund's monitoring activities as helpful . . . . Overall, the Project Directors appeared satisfied with the Fund's frequency and method of communication . . . . However, 26 percent would have preferred more frequent

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10/ Ibid., p. 420-28.

11/ Ibid., p. 428.

12/ Ibid., p. 430.

site visits." 13/ Approximately 60 percent of the Project Directors reported that the FIPSE monitoring process helped in addressing specific problems; however, only about 33 percent of the Project Directors reported that the FIPSE monitoring process "substantially influenced" their project. In general, Project Directors who had had previous experience with other Federal agencies "overwelmingly felt that the Fund's monitoring was superior." 14/

The then vice president of NTS research corporation, Sol H. Pelavin, testifying before the House Subcommittee on Postsecondary Education, presented several hypotheses for FIPSE's success. First, he focused on the multidimensional nature of most of the FIPSE projects. Pelavin suggested that projects that address more than one aspect of a problem have the highest probabilitiy of success. Secondly, Pelavin stated that another key to the Fund's success was a policy that "encourages and emphasizes" dissemination activities, during all phases of a project's life, i.e., proposal stage through to the dissemination of final results. Pelavin also suggested that FIPSE's success was in part due to policies that permitted local project staff to have the flexibility to design and implement projects that meet local needs. Pelavin cited a RAND study of "Federal Programs Supporting Change" that "found that projects were more likely to be institutionalized (i.e., continued after initial financial support has ended) when the local staff and participants felt that project activities were fullfilling local needs." 15/

Pelavin also suggested that the strategy of "critical intervention," i.e., providing "support at a time that is critical for project survival

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13/ Ibid., p. 432.

14/ Ibid., p. 432

15/ Ibid., p. 435.

and success" enables a relatively small amount of financial support to have significant impact. 16/ Finally, Pelavin hypothesized that success of FIPSE was also due in part to the fact that FIPSE encouraged projects to present a plan--in their proposal--as to how the project will finance project activities once Federal funding has ended. Pelavin cited evidence from the RAND study (previously mentioned) that indicated that educational projects which addressed continuation strategies early in the project's life were more likely to become institutionalized.

In 1980, the Fund contracted with Pelavin Associates to conduct a follow-up evaluation of FIPSE. Overall, Pelavin found that FIPSE's success had continued. Based on a sample of approximately 100 grantees and over 100 people whose activities have been influenced by these grantees, Pelavin reported that the Funds projects were: (1) continuing to achieve high rates of institutionalization; and (2) continuing to have impact well beyond the host institutions. Specific findings include the following:

--88 percent of the respondents indicated that the activities begun by the projects still existed; 81 percent of the projects have become institutionalized--that is they continued to keep the same level of activity or service that was initially supported by the Fund; 17/

--when the sample of non-grantees (i.e., individuals who FIPSE grantees reported being influenced by FIPSE projects) were questioned regarding the degree to which Fund-supported projects had influenced them, 83 percent indicated that they had been influenced by the grantees; 75 percent indicated that they had been strongly influenced; and approximately two-thirds of those "strongly" influenced reported that they had adapted or replicated the project.

16/ Ibid., p. 436.

17/ This is a significantly higher institutionalization rate than the 15 percent rate reported in a RAND study of four large Federal seed-money programs. Berman, Paul and M. McLaughlin. Vol. VIII of Federal Programs Supporting Educational Change. Los Angeles, California, The RAND Corporation. 1978, cited by Pelavin in The Fund for the Improvement of Postsecondary Education, A Second Look, p. 8.

These evaluation data suggest that FIPSE has been a successful program, although the fact that both evaluations were from the same source may limit their usefulness. Evaluation reports indicate that the Fund has consistently and effectively met its legislative objectives and appears to have had significant and far-reaching impact within the postsecondary education community. The reports also contend that the Fund's unique features, i.e., its semi-autonomy from the the Department of Education; its mandate for reform and innovation; its diverse client population; its "learner" orientation; and its small and intermittently changing staff; appear to have served postsecondary education well. The evaluation results suggest that reauthorization issues might focus on changes that might enable FIPSE to continue to do its job effectively. In addition, at a time when educational reform efforts are beginning to focus on changes and improvements needed in higher education, FIPSE might be a vehicle to help bring this change about.

PROGRAM ISSUES

Issues to be explored regarding the reauthorization of FIPSE focus on three general areas: (1) FIPSE's current role; (2) FIPSE's role in the current interest in achieving excellence in higher education; and (3) the need for an independent evaluation of FIPSE program activities.

Current Role

Regarding the current role, two issues appear significant. First, a review of the evaluation findings suggests that one possible key to FIPSE's success has been the effective and widespread dissemination of project activities. However, the current (and past) FIPSE legislation only implicitly authorizes the Fund to disseminate project successes. The statutory language does authorize the National Advisory Board to make recommendations regarding the dissemination of "demonstrated improvements in postsecondary education," but the legislation does not explicitly authorize FIPSE to disseminate information regarding successful projects. Considering the significant role that dissemination has played in the Fund's success, in the reauthorization legislation, consideration might be given to providing a statutory basis for the Fund's dissemination efforts.

The second significant issue relates to FIPSE's funding level and the resulting impact on FIPSE's charter for reform and innovation. Since FIPSE is encouraged--due to its mandate for reform and innovation--to support what might generally be considered "high-risk" projects, any reduction in financial support might discourage FIPSE from carrying out this mandate. That is, with fewer dollars to spend, FIPSE might be forced to adopt fewer risk-taking practices. Conversely, dramatically increased financial support might encourage excessive risk-taking and ultimately alter FIPSE's apparent ability to pick and choose wisely the high-risk activities most likely to succeed.

Excellence in Higher Education

Issues that relate to FIPSE's role in the current interest in reform and "excellence" in higher education focus on one area: whether or not to change FIPSE's charter in any significant way so that the FIPSE legislation addresses more explicity a mandate for "excellence" in postsecondary education.

FIPSE's authorization legislation and the highly competitive nature of FIPSE's grant competition (i.e., grant competitions are characterized by a 25:1 ratio of preliminary proposals to grants) are already designed to encourage excellence. In the recent National Institute of Education (NIE) publication, "Involvement in Learning," a number of specific recommendations are made regarding the achievement of "excellence" in postsecondary education which appear to be consistent with FIPSE's mandate. For example, the statutory language in title X provides that FIPSE support (among other things) activities that examine "cost effective" approaches to instruction, and that the Advisory Board should make recommendations regarding the "evaluation, dissemination and adaptation of demonstrated improvements in postsecondary" education. The NIE study addresses these issues in a similar way by: (1) recommending that postsecondary institutions "promote excellence without extravagance . . . and conduct their programs within reasonable cost;" 19/ and (2) stating that achieving "excellence" requires that postsecondary institutions "produce demonstrable improvements in student knowledge . . . ." 20/

Futhermore, over the years, FIPSE has supported various activities of the type that are recommended by the NIE study. For example, FIPSE has supported projects that combine "experiential learning," i.e., "learning by doing" activities such as student internships, study abroad and community service, with the more theoretical, in-class approaches to learning. Likewise, the NIE study cites research which suggests that mixing teaching styles (i.e., "experiential" and "theoretical") increases student learning. In this vein, the NIE study encourages postsecondary education to support "excellence" by encouraging activities—similar to those that FIPSE has supported—which combine "learning by doing" with more traditional modes of instruction.

19/ Final Report of The Study Group on the Conditions of Excellence in American Higher Education. Involvement in Learning: Realizing the Potential of American Higher Education. National Institute of Education. Washington, D.C., 1984. p. 3.

20/ Ibid., p. 15.

Though many of FIPSE's goals and activities appear consistent with some of the recent postsecondary school reform efforts, a more explicit recognition of "excellence" in the FIPSE legislation might serve to bring greater and more immediate attention to the improvements needed in postsecondary education. One of FIPSE's goals is to be responsive to the concerns and needs of the postsecondary community. During this period when national concern is focused on "realizing the potential" of postsecondary education, FIPSE might be used as the Federal entity for promoting the goal of excellence in higher education.

Impact/Cost Benefit

In contrast to the total expenditures of over $90 billion for higher education, the appropriations for this program are relatively small and program evaluations suggest that FIPSE-supported projects have had some innovative and far-reaching impact. However, despite the apparent success of FIPSE as reported in the evaluation data, and despite the relatively few dollars appropriated to FIPSE each fiscal year, an issue to be considered is whether or not the impact of FIPSE's success is far-reaching and significant enough to warrant the costs. An independent evaluation of this aspect of FIPSE's activities might be worthwhile.

PROGRAM OPTIONS

In considering the reauthorization of FIPSE, possible options include: (1) continuation of the current program; (2) modification to provide explicit authorization for funding dissemination activities; (3) cost sharing of FIPSE grants; (4) incorporation of FIPSE into the Office of the Assistant Secretary for Postsecondary Education; or (5) termination or phase out of funding.

Continuation of the Program

One option is to continue the program in its present form and at the current level of funding. Evaluations suggest that the program has been successful and the recent NIE higher education study commission supports the need for improvements in postsecondary education. These conditions might be considered sufficient justification to support continued Federal financing of FIPSE at a funding level that will enable the agency to carry out its legislative mandate.

Explicit Authorization for Dissemination Activities

As indicated in the "ISSUES" discussion, the current authority to use funds for dissemination is not clear. Reference is made to this area being one of the responsibilities of the Advisory Board, but the authorizing language does not include specific authorization to use funds for dissemination. Congressional intent could be clarified by the formal consideration of the appropriateness of using FIPSE funds for dissemination activities.

Cost-Sharing

Consistent with policies of the Reagan Administration concerning greater participation from the private sector in financing domestic programs, consideration might be given to requiring cost-sharing or matching funds for FIPSE grants. This would suggest broader support for the application and commitment to the concept from either the applicant institution or another public or private source. Disadvantages are that institutional or private funds, in general, often are scarce for risk-taking ventures, and that the institutions with most need for innovative activities may often be those operating under the most stringent financial constraints.

Incorporation into the Office of the Assistant Secretary for Postsecondary Education

During a period when efforts are being made to reduce advisory committees and the Federal bureaucracy, consideration might be given to incorporating FIPSE into the Office of the Assistant Secretary for Postsecondary Education. This change in FIPSE's structural relationship within the Department of Education might reduce FIPSE's administrative costs, while at the same time could permit continued financial support for FIPSE program activities.

The adoption of this option would result in a change in FIPSE's structural relationship within the Department of Education and would be contrary to the original intent of the FIPSE legislation to provide the Fund with maximum freedom and independence to promote reform and innovation. The FIPSE legislation authorizes: (1) the Fund to function as a semi-autonomous entity separate from the rest of the Department; (2) the Director of the Fund to design grant review policies consistent with FIPSE's reform efforts; and (3) the establishment of FIPSE's own National Advisory Board. The legislation is intentionally written to provide a legislative basis from which FIPSE could freely implement it's unique mandate. The contention likely would be that FIPSE's historical beginnings as a Foundation are inconsistent with many of the procedures and policy elsewhere in the Department.

Termination or Phase-Out

During a period when efforts are being made to reduce the Federal budget and eliminate programs, FIPSE might be targeted for termination. Support for maintaining the program would be based on contentions that the Federal funds for FIPSE activities have been relatively small and the program evaluation data indicate the Fund to be a success. Opposition would be related to the the elimination of a Federal program that could be used to intervene in the programs and operation of higher education institutions and contentions that, even though the potential savings would be small, the ultimate impact is too small to justify the maintenance of the office and the current level of Federal funding.

SECTION 19
CONTINUING EDUCATION PROGRAMS AND PLANNING

An ongoing relationship exists between the Nation's institutions of higher education and the educational needs of the adult population and the Nation's workforce. The Department of Education recently conducted a survey which found that, of the 165 million Americans 17 years old and over in 1981, an estimated 21 million (13 percent) participated in adult education (in comparison with 10 million full-time students 17 years old and over attending postsecondary institutions). 1/ Of the courses taken by these adults, 10 percent were reported taken for general educational purposes, 27 percent for personal or social reasons, and 60 percent for job-related reasons. On the average, the survey found that the adult participating in continuing education programs had a higher income and more education, and was more likely to be employed and hold a professional or managerial job, than the population at large.

PROGRAM DESCRIPTION

Various types of Federal assistance are authorized for postsecondary and adult continuing education programs, including a study commission, information collection and dissemination, and program assistance. None of these programs has been funded recently.

1/ U.S. Department of Education. National Center for Education Statistics, Participation in Adult Education 1981. Washington, U.S. Govt. Print. Off., 1982. (NCES 82-335).

As amended in 1980, part A of title I of the Higher Education Act of 1965 established a Commission on National Development in Postsecondary Education, to study aspects of higher education in terms of equal access for various groups, freedom of choice of students, quality and diversity, responsiveness of institutions to changing social and economic needs, and efficiency of institutions in the planning and management of resources. The Commission was to make a final report to the President and the Congress by December 31, 1983.

Part B of title I authorized education outreach programs, including grants to States for comprehensive statewide planning for improving access to postsecondary programs, coordinating educational and occupational information, and providing counseling services for traditional and non-traditional learners. Discretionary grants were authorized to develop innovative educational delivery systems, expand educational resources for underserved adults, and promote regional programs of continuing education. A National Advisory Council on Continuing Education was authorized to advise the Secretary of Education and to make annual reports on recommendations for improvements in continuing education.

LEGISLATIVE HISTORY

Title I of the HEA was enacted in its current form by the Education Amendments of 1980 (P.L. 96-374). These amendments replaced all previous provisions relating to continuing education programs, some of which had been authorized since the initial passage of the HEA in 1965 (P.L. 89-329). These earlier versions included programs such as community services, information centers, and comprehensive planning commissions. The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) prohibited funds from being appropriated for the

Commission under part A of title I, and restricted funds for part B, to no more than $8 million per year, for FY 1982 through FY 1984.

PROGRAM DATA

The Commission on National Development in Postsecondary Education authorized under part A of title I has never been funded; members were never appointed; and the study was not begun. The legislation authorized $3 million for the life of the Commission.

The outreach programs under part B authorized funding of $20, $30, $40, $50, and $60 million for FY 1981 through FY 1985, respectively. In FY 1981, $15 million was originally appropriated, but that amount was reduced through a rescission to $2.2 million; this latter amount was used to phaseout older programs that had been replaced under the 1980 amendments. Funds have never been used to implement the currently authorized programs. From FY 1966 through FY 1980, appropriations of between $10 and $20 million per year were regularly provided to those earlier continuing education programs.

EVALUATIONS

Current programs have never been operational. No formal national evaluation of the earlier programs was ever conducted, according to the FY 1980 annual evaluation report by the Department of Education.

PROGRAM ISSUES

Justification may be found for suggesting the need for a national interest in, or concern for, postsecondary continuing education programs as they relate to economic productivity and labor market needs. A significant portion of the population is enrolled in adult education courses each year, and the majority of those are doing so for reasons related to their jobs. The older assumption of each person obtaining an education first and then going to work now appears factually inaccurate, if indeed it ever was accurate. With emerging technologies, increasing attention is being paid to the need for changing and updating job skills throughout the working life of adults.

Need for Program

One dimension to continuing education is the possible need for programs at the postsecondary level parallel to those in adult basic education provided by the Adult Education Act (AEA). Under the AEA, Federal funds support State and local programs for adults for high school equivalency education. Federal assistance for some form of education for adults beyond the high school diploma was provided under the HEA from FY 1966 through FY 1980.

Federal Role

The appropriate and justifiable Federal role is unclear regarding continuing education. Most adults obtaining additional education are doing so without direct Federal assistance (although many have received tax benefits related to their expenses, and many others have had expenses paid by their employers). Remedial programs for adults who have not completed high school appear to be more easily justified than programs for adults with a college education and an income greater than the national average. Some aid for basic job training for disadvantaged youth and adults is already provided through existing Federal programs. Little useful information is available on the national level to document the scope or severity of postsecondary continuing education problems, and, given current Federal budget priorities, the types of Federal actions that might be useful in addressing them.

PROGRAM OPTIONS

For the past 4 years, the Congress has not appropriated funds for the continuing education programs authorized under title I of the HEA. No new national studies or other significant reports have been made to provide additional justification for these programs. The Study Commission might have provided such information, but the Commission was not funded. Under these circumstances, the options appear sharply limited to such questions as to whether to continue the authorization of an unfunded program, or how to obtain additional information that might clarify Federal priorities in this area.

SECTION 20
RESEARCH AND DEVELOPMENT FUNDING FOR HIGHER EDUCATION INSTITUTIONS

Research and development (R&D) funds have become essential components in the budgets of many higher education institutions. In addition to their primary function, R&D funds provide institutions with the fiscal resources needed for the recruitment and salaries of both faculty and graduate research positions, the conduct of basic research in many areas, the modernization and replacement of equipment, and the recruitment of students. In the broader context, higher education institutions perform an essential role in the American culture by serving as a reservoir of academic expertise and resources that can be tapped by the public and private sectors for R&D related to such broad topics as health, food production, energy exploration, genetic engineering, national defense, and space exploration. Funds from public and private sources have continued to increase. Corporate support for education reached an alltime high in 1982. 1/ Private funds have become increasingly important as sources of risk capital for R&D activities not supported by public funds.

LEVEL OF FUNDING

Governmental and private sector funding for R&D activities constitutes a major source of support for higher education research; however, total Federal

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1/ Corporate Support of Education Climbs to Record High. Higher Education Daily, January 23, 1984. p. 1.

R&D funds represent only about 5 percent of the total expenditures for higher education. Of the total Federal funds expended for R&D, the portion received by higher education institutions represents less than 10 percent of the aggregate total. (See tables 20.1 and 20.2.)

As indicated in table 20.1, the principal sources of Federal R&D funds for higher education are the Department of Health and Human Services, National Science Foundation, National Aeronautical and Space Administration, and Departments of Defense, Agriculture, and Energy. For each of these agencies, the estimated support for R&D activities in higher education institutions exceeded $200 million in FY 1984. The estimated support level for other Federal agencies did not exceed $100 million in any instance. Over the 5-year period from FY 1981 to FY 1985, the estimated current dollar growth in total funds was slightly less than 30 percent. For the same period, the constant dollar growth in Federal R&D funds was less than 5 percent. The largest total growth in current dollars was in funds from the Department of Health and Human Services, and the greatest percentage increase was in funds from the Defense Department.

As illustrated in Table 20.2, in current dollars, total R&D funds in all forms increased from about $35 billion in 1975 to an estimate of almost $98 billion for 1984. In constant 1972 dollars, the increase for the same period was from about $28 billion to over $43 billion. The greatest increase was in R&D funds from private industry; funds from this source increased by more than 200 percent in current dollars over the 10-year period. Funds from Federal sources increased by slightly less than 150 percent in current dollars during the same period.

TABLE 20.1. Estimated Support for Conduct of R&D at Colleges and Universities in Current Dollars
(Budget authority in millions)

Executive Department	FY 1981 actual	FY 1982 actual	FY 1983 actual	FY 1984 estimate	FY 1985 budget
Health and Human Services	$2,223	$2,220	$2,451	$2,734	$2,820
National Science Foundation	813	711	787	931	1,068
Defense-Military	556	716	770	894	996
Agriculture	248	235	277	279	290
Energy	302	253	303	321	343
National Aeronautical and and Space Administration	104	106	109	210	223
Agency for International Development	70	40	32	34	43
Environmental Protection Agency	51	51	36	43	41
Education	62	61	57	62	58
Interior	60	51	29	23	11
Transportation	18	18	22	19	20
Commerce	44	38	29	72	21
Other	20	19	30	39	19
TOTAL (current dollars) a/	$4,572	$4,520	$4,937	$5,671	$5,957
(constant FY 1972 dollars)	$2,304	$2,120	$2,308	$2,386	$2,399

a/ Columns may not total due to rounding.

Source: "Office of Management and Budget (OMB) Data for Special Analysis K" as revised, from Inter-society Working Group. American Association for the Advancement of Science (AAAS) Report IX: Research and Development, FY 1984 and FY 1985. Washington, D.C., 1983 and 1984.

TABLE 20.2. National Funds for Research and Development by Source of Funds
(In millions)

Source	1975 Actual	1980 Actual	1983 Estimate	1984 Estimate
Current Dollars				
Federal Government	$18,109	$29,451	$40,303	$44,720
Industry	15,820	30,920	45,260	50,425
Colleges and Universities	749	1,314	1,615	1,700
Non-Profit Institutions	535	933	975	1,050
TOTAL	$35,213	$62,618	$88,153	$97,895
Constant 1972 Dollars				
Federal Government	$14,537	$16,545	$18,615	$19,725
Industry	12,589	17,329	20,971	22,389
Colleges and Universities	599	738	747	752
Non-Profit Institutions	428	524	451	465
TOTAL	$28,153	$35,136	$40,784	$43,329

Source: Intersociety Working Group. AAAS Report IX: Research and Development, FY 1985. American Association for the Advancement of Science. Washington, D.C., 1984. p. 43

FEDERAL R&D ACTIVITIES

The 1985 position of the Reagan Administration toward Federal funds for R&D activities appears to have evolved from an original position of opposition to a general policy of continued support for science and technology. With the major exception of the Federal civilian R&D role, especially related to energy R&D, positions do not appear to be different, except in rhetoric, from those of previous administrations. Basic research has been endorsed by the Reagan Administration as the foundation for long-term national objectives of defense, economic security, and an improved quality of life. Current policy statements indicate a concern for differentiation between the role of the Federal Government and the private sector in R&D. 2/

Current Federal policies reportedly are not supportive of efforts to secure Federal R&D funds for applied research and development for non-governmental purposes. The stated policy is that such activities should be conducted and funded by the private sector. This policy is not new, but the Reagan Administration has exhibited a higher level of interest in applying these criteria. 3/

An additional issue related to Federal R&D support has been the reaction from higher education institutions to regulations issued by the Office of Management and Budget that impose a cost accounting system on recipient institutions. In addition to requiring certain fiscal accounting procedures, faculty members working on Federal grants are required to document how they spend their time. However, institutions can recover interest expenditures associated with the purchase of new equipment and certain expenditures related to buildings in which Federal projects are housed. The intent of the effort is to provide the Federal Government with a more accurate record of actual expenditures for Federal R&D activities. 4/

Current Federal R&D funds for higher education institutions take several forms. Contracts may be awarded for ventures that are separate from the institutions; examples are the Livermore Laboratory associated with the University of California at Berkeley and research efforts funded through Johns Hopkins University, University of California at San Deigo, and University of Chicago.

2/ Intersociety Working Group, p. 9-10.

3/ Ibid., p. 14.

4/ OMB Unveils New Circular A-21 Designed to Appeal to Colleges, Higher Education Daily, August 3, 1982. p. 3-4.

Most of these efforts have rather minimal relationships with daily classroom instruction, but do provide opportunities for intensive research by faculty and advanced graduate students.

A second example is illustrated by the cyclotrons and other advanced research facilities that are an integral part of the facilities on higher education campuses. This type of research is somewhat different from the large grant efforts at such sites as the Livermore Laboratory or Los Alamos, and faculty members typically are involved in other instructional and academic activities at the institution on a daily basis.

A third type involves small grants for theoretical, exploratory research that represents the first step in the discovery of knowledge. One problem with the latter efforts that limits participation is that they often are dependent upon the instrumentation that is only available in a major research installation. For this reason, faculty at institutions with extensive laboratories and related instrumentation are in a favorable position in the application for and award of such grants.

Private sector support typically has been less willing than Federal agencies to make the capital investment at higher education institutions, but new types of collaborative relationships have begun to emerge between colleges and universities and the private sector. Examples of these new relationships and possible problems are discussed in the following section.

COLLABORATIVE RESEARCH ACTIVITIES

Various questions and concerns have been raised in the higher education community and the media about several contractual relationships that recently have been consummated between higher education institutions and private sector industries. Issues are related to the impact that the agreements may have on institutional autonomy, faculty relationships, and the spirit of intellectual inquiry. They are different from previous relationships in terms of the technical complexities of the contract, degree of involvement in the relationship, magnitude of funds, longer period of the contract, and scope of the project.

Concerns about emerging private sector/higher education collaboration possibly are illustated in a recent statement of Dr. George Keyworth, Science Advisor to President Reagan. Keyworth indicated in congressional testimony on May 8, 1984, that he was asking the White House Science Council to undertake a study to examine the problems of increased university interaction with industry, and look for ways to maximize benefits and minimize risks of compromising the research environment. 5/ This statement suggests some potential problems related to higher education cooperative endeavors with the private sector.

Corporations have a tradition of providing direct funds for higher education. However, with the fiscal problems confronting some firms and revisions in the Federal tax laws that reduce the incentive to make donations, corporations have begun to choose priorities with greater care. For example, the chairman of the Reader's Digest Foundation and the president of International Business Machines (IBM) have indicated that funds will be focused on areas in which there is agreement between the corporate interests and those of higher education. The accepted position is that the primary responsibility of the chief executive officer of any corporation is to provide jobs and increase productivity (and profits), not to replace Federal cutbacks for social

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5/ Summary and Analysis of Hearing on "Improving the Research Infrastructure at U.S. Universities and Colleges." Report prepared by the Congressional Research Service, The Library of Congress, for the Committee on Science and Technology, U.S. House of Representatives, 98th Cong., 2d Sess., July 1984. Washington, U.S. Govt. Print. Off., 1984.

institutions. 6/ Reductions in Federal R&D funds do not automatically result in private sector assumption. The economic incentive may not be sufficient, or the private sector may not be organized in a manner that permits response to the problem. 7/

Traditional Collaborative Activities

Cooperation between the academic community and the private sector is not new; for years, universities have trained talent for the corporations and housed students and faculty who conduct research and provide various consulting services that are important for the functioning of businesses. These traditional relationships between corporations and higher education have taken several forms:

1. unrestricted research and student assistance grants to institutions;
2. cooperative work experience and recruitment/placement programs for students;
3. corporate associate and affiliate programs under which corporate executives have access to consultations, seminars, faculty, students, and publications;
4. continuing education programs provided by higher education institutions for corporate personnel;
5. conferences, colloquia, and symposia to promote the mutual exchange of information;

6/ Magarrell, Jack. Give Colleges More, Corporations Urged. The Chronicle of Higher Education, October 7, 1981. p. 3; Schellardt, Timothy D. Voluntarism, So Far, Fails to Compensate for U.S. Budget Cuts. Wall Street Journal, June 22, 1982. pp. 1, 23; The Grass is Greener. Independent Sector. Washington, D.C. 1982; and Wise, Robert I. Schools, Businesses, and Educational Needs: From Cooperation to Collaboration. Education and Urban Society, 14:1. p. 68.

7/ Intersociety Working Group. AAAS Report IX: Research and Development, FY 1985. American Association for the Advancement of Science. 1984.

6. research projects, direct consultation, and exchange of personnel on a case-by-case contract basis;

7. volunteer programs involving membership on governing boards and advisory services;

8. corporate utilization of university resources on a cost-reimbursable basis; and

9. joint projects to address national problems such as environmental protection, affirmative action, and equal employment opportunities. 8/

In evaluating these established activities, corporate executives evidently have thought that the cost-benefit ratio was sufficient to justify their continuation. In addition, such activities typically are non-controversial and corporate leaders often have been former students of the recipient schools. 9/

Emerging Collaborative Relationships

Recently, new patterns of cooperation have begun to emerge; the corporate world has come to recognize that the physical and human assets of higher education institutions constitute a resource of significant potential value to the corporate community. The assumption appears to be that cooperative use of higher education academic facilities and personnel can benefit both the corporations and the institutions of higher education. 10/ Corporations can fund R&D activities without having to make the long term investments in their own personnel and facilities, and higher education can provide students and faculties

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8/ The Link: Business, Education. AGB Reports. Business-Higher Education Forum. Washington, 1984. p. 31-34.

9/ Magarrell, p.3.

10/ The Link: Business, Education.

with "real life" experiences and also resolve some of the problems related to maintaining state-of-the-art research facilities.

Examples of formal corporate agreements may be found in the long term collaborative research partnerships at Carnegie-Mellon University, Georgetown University, Harvard University, Harvard Medical School, Massachusetts General Hospital, Massachusetts Institute of Technology, and Washington University of St. Louis. 11/ Under the $23.5 million Washington University/Monsanto agreement, decisions on funding and projects rest with an advisory committee consisting of four senior faculty members and four scientist administrators from Monsanto. 12/ In addition, research results must be be given prior review before being submitted for publication, and strict provisions relate to ownership of patents, receipt of royalties, and rights to manufacture and market products. 13/

The level of attention being drawn to this supposed new development suggests that conditions under these new collaborative efforts are different from past joint activities between higher education institutions and the private sector. Historically, many Land Grant institutions have been involved in a variety of agricultural and mineral research activities. Questions appear to have been minimal, but much of the work was in an experimental research mode as contrasted to a development or marketing mode. In other cases, activities were on a project basis with independent contracts. Also, for over 3 decades, higher education institutions have been involved in federally-supported nuclear

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11/ Drug Firm Funds GU Research. Washington Post, January 5, 1985. p. A1, A8; and Strengthening the Government-University Partnership in Science. National Academy of Sciences. National Academy Press. Washington, 1983.

12/ Growth of Research Pacts Spurs Need for Scrutiny. Higher Education Daily, June 17, 1982. p. 5.

13/ Monsanto Company, Washington University Enter Research Contract. The Washington Post, June 3, 1982. p. A-8.

research projects at such sites as Los Alamos and the Livermore Laboratory. With these latter projects, student unrest emerged during the Viet Nam era, but institutional concerns appear to have been minimal. One possible difference is that the actual research sites often were separate from the institution's academic facilities. Problems may be different with some of the current projects, for the assumption appears to be that the research will utilize the same facilities as those used for academic instruction.

As universities consider these new arrangements, efforts are being made to avoid compromising situations relative to control over research findings, especially those that contrast public safety and corporate profits. As guidance for these cooperative arrangements, Derek Bok, President of Harvard, has suggested a set of rules to govern the relationships between universities and corporations. They include denying licenses to firms in which university personnel have significant interest and limiting the ways in which faculty may become involved with a firm supporting their research. 14/ Similar safeguards that involve full disclosure and constraints on institutions have been prepared by a panel convened by the Twentieth Century Fund. 15/

The National Academy of Sciences has indicated that it is possible to fashion collaboration without damaging freedom of scientific communication and scientific progress if agreements do not result in extended periods of secrecy, do not limit discussion of experimental methods and techniques, and do not infringe upon the university's ultimate right to publish. 16/ Concerns about

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14/ Hilts, Philip J. Purity vs. Profits: Academia Mulls Conflict in Biotechnical Field. The Washington Post, June 28, 1982. p. A-5.

15/ The Science Business. Twentieth Century Fund. New York, 1984.

16/ Strengthening the Government-University Partnership in Sciences. 1983.

the control of scientific research for profit-making purposes have also been expressed by the president of the American Association of Universities. [17]

ISSUES

Various concerns have been expressed about the impact that Federal and private sector R&D funding and collaborative agreements may have on higher education. Reservations include the possible impact upon institutional autonomy, the practice of academic freedom, and traditions of unrestricted intellectual inquiry. Related concerns are that insufficient attention will be given to ethical and moral considerations, or to human health and safety, when decisions are being made about the appropriateness of various research activities and the release of research results. Areas of concern include stability of funding, recipient institutions, conflict with institutional mission, impact on institutional autonomy, constraints on higher education faculties, institutional accountability, and the public interest.

Stability of Funding

One of the most critical issues related to R&D activities in higher education institutions is the desirability for greater stability in funding to support long term projects. Multi-year funding is essential for some types of projects. Planning and institutional commitment are hindered not only by the annual appropriations cycle but also by shifting Federal policies and changes in the interpretation of policies. As present and potential grant recipients consider possible responses, various sectors of the research community are confronted with the choice of pursuing their individual self-interests or presenting a common unified front in support of a broad policy position. No consistent national policy has been stated concerning the relative shares of funding, and the types of R&D activities, that should be supported by the Federal Government and by the private sector. Observers have indicated that the source of support for an R&D activity may not be as important as an assessment of whether the outcome will be in the national interest. 18/

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[17] Drug Firm Funds GU Research.

Recipient Institutions

During a period when there is general concern about the overall quality of higher education, one issue is which institutions benefit from R&D funds. In general, such funds appear to benefit only a few institutions. In contrast to the HEA title III programs for developing institutions in which the purpose of the funds is to improve or promote the development of the institutions, R&D funds typically are granted to institutions that already have quality research facilities and faculties with recognized expertise in a particular field. The result is often that institutions with a prior track record or current projects have a competitive advantage when they are applicants for a new grant or potential participants in a collaborative effort. Grantors normally seek institutions with the capacity to perform the project rather than trying to broaden the base of quality institutions and programs.

Because of the desire to secure maximum return from the grant, R&D projects typically are awarded to one of the 167 doctoral-level institutions in the United States. This delimiting factor tends to eliminate 95 percent of the Nation's higher education institutions. Data on the amount of private

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18/ Intersociety Working Group, p. 9-15.

grants are not available on a total basis by type of institution, but the recipients of Federal funds do tend to reflect the selectivity hypothesis. For example, in 1980-81, 100 institutions (all doctoral-level institutions except for the service academies) received 68 percent of the $9.7 billion in Federal current fund revenues of all types granted directly to institutions of higher education. 19/ Exceptions may be found in funds under title III of the Higher Education Act and the Minority Institutions Science Improvement Program.

Conflict with Institutional Mission

Since the primary mission of higher education institutions is to promote the development and transmission of knowledge, questions might be raised about the extent to which R&D contracts might subvert or be in conflict with the institution's mission. This decision is not made easily. Supplemental funds through grants may be the only risk capital available in an institution; consequently, institutions may be willing to make some compromises in order to supplement their fiscal resources. In some disciplines, R&D funds are essential if faculty and students are to have access to quality programs.

Collaborative ventures may be attractive for some institutions in view of the stable state of higher education enrollments, the fiscal conditions of many higher education institutions, and the attractiveness of a large grant as a means of recruiting students and faculty and securing new instrumentation. Even though institutions appear to be very receptive to becoming involved in collaborative agreements, agreements with one firm may preclude an institution from doing research with another firm and could hamper the abilities of

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19/ Grant, W. Vance. Digest of Education Statistics. National Center for Education Statistics. U.S. Department of Education. Washington, D.C., 1984, pp. 108, 109, and 140.

an institution to perform research on behalf of Federal or State Governments. A somewhat more complex, but unanswered question, is whether higher education institutions can select ventures that are consistent with the process of intellectual inquiry and accepted institutional missions as contrasted to those that might be classified as entrepreneurial and not complementary to the institution's mission.

Impact on Institutional Autonomy

An issue of continuing concern has been the degree to which formal research grants and projects and collaborative agreements with public or private funding sources place constraints upon the freedom of higher education institutions to conduct "business as usual." Recently, the issue has become more evident as discussions have focused on the power that private sector grantors should have in the selection and promotion of university research personnel, selection of research projects, discussion of research techniques within academic circles, and decisions to review, delay, or refuse the publication of research findings.

This issue is not restricted to private sector initiatives as has been shown by recent reports about restrictions on research sponsored by the Federal Government. Various government contracts have contained prepublication review provisions of research findings by Federal agencies, even those with little direct interest in national security. 20/

20/ Harvard Report: Freedom of Scholars to Exchange Information is "Essential." Chronicle of Higher Education, January 9, 1985. p. 13-17; and McDonald, Kim. Government Efforts to Muzzle Researchers are Growing. Chronicle of Higher Education, January 9, 1985. p. 1, 13.

Constraints on Faculties

Both higher education institutions and the public or private sector party in collaborative agreements appear to be concerned about possible conflicts of interest on the part of faculty members who may be stockholders, consultants, or grant recipients from the same firm. As these new relationships are evolving, questions are being raised about the degree of control that corporate contractors might have in the determination of faculty status and work load and decisions about the publication of research findings. Other concerns have been that collaborative relationships might affect faculty working relationships, compromise release of research results, and affect the choice of research topics and the course of scientific investigations. One possibility is that collaborative arrangements might result in the same constraints being placed on university faculty members as are placed on industrial researchers.

Institutional Accountability

Legal, ethical, and moral constraints are placed on most relationships, and the same principles apply to collaborative R&D arrangements between higher education institutions and private or public support sources. Institutions are expected to maintain accurate and verifiable fiscal and personnel accounting records. This information is essential to validate project cost information.

A second concern is the process used in determining the "institutional overhead expenditures" that are to be charged as a part of the grant. The first questions are whether the institution is entitled to full recovery of any and all expenditures associated with a particular project, or whether the institution should assume some portion of the project cost because of the immediate and residual benefits that accrue to the institution through the grant. The underlying question may be the extent to which institutions should seek to make a "profit" from R&D projects, should seek to recover justifiable and verifiable expenditures, or should consider such activities to be cost-sharing institutional development ventures.

Public Interest

Concerns from the public interest perspective include the appropriate steps that might be taken to reduce the possibility of corporate interests capitalizing on the established public image of the higher education institution and then relying upon that image to provide "face validity" for whatever research might be conducted. A somewhat different issue is whether the current collaborative arrangements for biomedical research and genetic engineering are sufficiently different from traditional externally funded higher education research activities to justify a reexamination of traditional institutional and corporate relationships, or are merely an additional step in the evolution of interdependent relationships among various institutions in the American culture. Rather than being an issue that should be addressed in Federal legislation, this matter might most appropriately be addressed by individual institutions or through voluntary multi-institution groups.

APPENDIX A: A SUMMARY OF "INVOLVEMENT IN LEARNING: REALIZING THE POTENTIAL OF AMERICAN HIGHER EDUCATION" THE FINAL REPORT OF THE STUDY GROUP ON THE CONDITIONS OF EXCELLENCE IN AMERICAN HIGHER EDUCATION

On October 22, 1984, the Study Group on the Conditions of Excellence in American Higher Education issued its report entitled "Involvement in Learning: Realizing the Potential of American Higher Education." Released 18 months after "A Nation at Risk" first focused national attention on educational quality at the elementary and (primarily) secondary level, "Involvement in Learning" broadens this focus to consider quality in higher education, especially at the undergraduate level. 1/

The seven members of the Study Group responsible for "Involvement in Learning" were each chosen for their differing expertise in higher education, and were appointed in October 1983 by the Director of the National Institute of Education, Dr. Manuel Justiz, "to suggest ways in which policy analysis, research, and recommendations for improvement in higher education could be developed and implemented." 2/ Chaired by Kenneth P. Mortimer from Pennsylvania State University, the Study Group functioned as a "seminar" which reviewed

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1/ A Nation at Risk was issued in April 1983, and was prepared by the members of the federally chartered National Commission on Excellence in Education. For more information on this and other recent reports concerned with the quality of elementary and secondary education, see CRS Issue Brief IB83116, Education in America: Reports on Its Condition and Recommendations for Change [by] James B. Stedman.

2/ Involvement in Learning, p. v. A list of the seven members of the study group is provided in the last section of this summary.

previously prepared papers, testimony, and reports in addition to commissioning a small number of original papers and staff studies. 3/

Within the context of higher education research, "Involvement in Learning" is significant in that it is the first federally-sponsored study on the overall condition of American higher education since the "Newman reports" of the early 1970s. 4/ Over the next 18 months, however, several additional reports concerned with specialized aspects of American higher education are expected to add to the dialog on postsecondary educational quality, including:

—the report, "To Reclaim A Legacy," on the humanities in higher education that was sponsored by the National Endowment for the Humanities and released in November 1984;

—a study by the Association of American Colleges on the content of the undergraduate curriculum, due to be released by mid-1985;

—a report on Federal policy in higher education by Frank Newman and the Carnegie Foundation for the Advancement of Teaching, also due to be published by mid-1985; and

—a study on the undergraduate experience focusing on the liberal arts also by the Carnegie Foundation, scheduled to be issued in late 1985.

3/ It should be noted that the "study group" that authored Involvement in Learning differed in several key respects from the "commission" that produced A Nation at Risk. Such differences include that the study group was not directly chartered by the Secretary of Education, and that it neither held public hearings nor solicited public testimony.

4/ The two "Newman" reports on the subject of higher education that were issued in the 1970s are as follows: U.S. Department of Health, Education and Welfare. Office of Education. Report on Higher Education [by] Frank Newman, et al., March 1971. Washington, D.C. 130 pp; /and/ Frank Newman et al., The Second Newman Report: National Policy and Higher Education. Cambridge, MIT Press, 1973. 227 pp.

In contrast to the "Nation at Risk" and other reform reports on elementary and secondary education, the target audience for "Involvement in Learning" was neither the general public nor such public officials as the governing bodies for postsecondary institutions or State legislatures, but was the faculty and students of institutions. This choice may reduce the public interest in the report's recommendations, as it tends to reflect traditional attitudes and values about higher education governance and decision-making.

In the pages which follow, this CRS paper provides a summary of the findings and recommendations of "Involvement in Learning" without attempting to analyze the merits of these findings and recommendations.

PRELIMINARY MATERIAL

Both the letter of transmittal and foreword to "Involvement in Learning" contain valuable information on the scope of this report, including:

—that the principal concern of the report is undergraduate education, with graduate education considered only to the extent that it affects the quality of undergraduate education; and

—that the report does not deal with student aid and related matters, except as they directly affect student learning.

The two preliminary sections of "Involvement in Learning" also note two specific information needs as purposes for this report: "how our current knowledge about higher education could be enhanced," and "how the findings of research could be better utilized by students, faculty, deans, college presidents, trustees, legislators, and others in their improvement efforts." 5/

5/ Involvement in Learning, p. ix.

In addition, a brief guide is provided to the underlying structure and progression of the report:

—a discussion of the shared values and goals of the Study Group;

—an examination of some of the current achievements and problems in American higher education;

—an analysis of the basic conditions of "excellence" in undergraduate education; and

—specific recommendations for dealing with these basic conditions that are addressed, in turn, to faculty and administrators; to graduate schools and such external agencies as accrediting bodies, State legislatures, and the research community; and finally, to students.

A MATTER OF TRUST

"Involvement in Learning" begins with a short opening section that links its focus on higher education quality to the on-going debate on educational quality at the elementary and secondary level. With over half of the Nation's students pursuing additional education after high school, the report notes that America's higher education system—although the largest, most complex, and most advanced in the world—has not realized its full potential. Until now, however, the debate on improving educational quality has not focused on higher education. This report seeks to change this condition by turning "the spotlight on higher education," and in particular on undergraduate education, especially with respect to the status of first and second year students and what the authors perceive to be an erosion of liberal learning. 6/

6/ Involvement in Learning, p. 1. Although the term "liberal learning" is not precisely defined, it is used to imply a general, liberal arts education.

This first section of the report closes with a brief list of "shared values" about higher education held by the member of the Study Group. These shared values include:

—that the United States must become a Nation of educated people, above all learning how to learn throughout their lives;

—that higher learning should be broadened and deepened to provide increased opportunities for intellectual, cultural, and personal growth;

—that access to higher education should be extended to an ever-increasing proportion of the population—regardless of age—while at the same time reducing the college dropout rate;

—that all Americans should have access to quality higher education programs, whether provided through colleges, community colleges, or universities;

—that postsecondary institutions should establish and maintain high standards of student and institutional performance, measured against clear and public standards of performance;

—that diversity should be preserved in such areas as college mission, composition of student, faculty, and administrative bodies, and in the means by which quality is achieved; and

—that in all their efforts, postsecondary institutions should promote excellence without extravagance.

SUCCESS STORY AND WARNING SIGNALS

The second section of "Involvement in Learning" highlights recent accomplishments, changes, and warning signals in American higher education.

The report acknowledges the vast scope and diversity, of the American colleges, community colleges, and universities, noting that American postsecondary institutions now enroll over 12 million students, employ nearly 2 million workers, and account for 3 percent of the gross national product. Three in 5 American high school graduates currently enroll in college, yet 2 out of every 5 college students are over age 25, while fewer than 3 in 5 attend college full-time. The report further notes how higher education has increasingly contributed to the Nation's economic progress and national well-being, citing a broad range of examples.

As a result of our changing expectations and attitudes, the report finds that "American higher education has undergone a dramatic period of growth and change over the past few decades." 7/ This growth and change is most evident in such areas as enrollment (up over 400 percent since 1950) and numbers of institutions (up 60 percent over this same period). Other kinds of changes include new educational practices and technologies; a relationship between students and institutions different from in loco parentis; increases in delayed college entry, part time attendance, and longer degree completion times; greater faculty participation in college governance; and increased State, corporate, and other external roles in higher education.

All of the changes affecting American higher education in recent years have not been positive, however. According to the report, "(t)he strains of rapid expansion, followed by recent years of constricting resources and leveling enrollments, have taken their toll." 8/ Five specific problem areas are singled out where realities no longer measure up to expectations. These areas include:

--student achievement, where only half of the students who plan to obtain a bachelor's degree ever do so, and where student performance while in college appears to be declining when measures by performance decreases in most Graduate Record Examination subject area tests;

7/ Ibid., p. 6.

8/ Ibid., p. 8.

--undergraduate programs and degrees, where increasing numbers of undergraduates are majoring in narrow specialities while abandoning some of the traditional arts and science fields in large numbers, and where the acccreditation standards of some undergraduate professional programs have increasingly left little time for liberal learning;

--the faculty, where average purchasing power of salaries over the past decade has declined approximately 20 percent while private sector competition has resulted in significant salary differences among departments, and where the proportion of part-time teachers is up from 23 percent in 1966 to 41 percent in 1980;

--the condition of institutions, where large institutions have come to serve increasing numbers of students, while all institutions have become increasingly dependent upon enrollment-driven funding (and, hence, vulnerable if enrollment declines), while the physical plant and equipment of colleges and universities is increasingly outmoded; and

--requirements and standards, where comparability in the quality of courses used to fulfill degree programs is problematic, yet where few schools have attempted to examine the issues of overall student learning and growth, the outputs of the higher education experience.

The next section of "Involvement in Learning" outlines the elements that the Study Group finds essential for improving the quality of higher education, while each of the concluding sections lists specific recommendations for such improvement.

CONDITIONS OF EXCELLENCE IN UNDERGRADUATE EDUCATION

"Involvement in Learning" finds that excellence in higher education has traditionally been determined by such institutional resource measures as endowments, expenditures, curricular offerings, faculty attainment, entering student test scores, and admissions selectivity. While each of these measures has proved valuable both to educators and the general public, they also have two basic problems: (1) they are all proxies for educational excellence; and

(2) they are all inputs. None of them measure postsecondary educational outcomes; none of them indicate how much students actually learn or how they grow as a result of a higher education.

Excellence in higher education, according to the Study Group, requires the development of student output measures which would show:

—that institutions of higher education produce demonstrable improvements in student knowledge, skills, and attitudes between entrance and graduation;

—that such demonstrable improvements occur within established, clearly expressed, and publicly announced and maintained standards of performance for awarding degrees; and

—that these improvements are achieved efficiently through the cost-effective use of student and institutional resources of time, effort, and money.

In preface to their specific recommendations for advancing excellence in higher education, the Study Group notes that the advice offered is intentionally general, reasoning that "the responsibility for defining specific standards of content and levels of student performance and college-level learning in undergraduate education must fall on the academic institutions themselves, or those standards will have no credibility." 9/ The Study Group's recommendations are thus intended to assist college administrators and faculty in fulfilling their responsibility for the development of standards. More specifically, the Study Group contends that the quality of undergraduate education could be significantly improved if America's colleges and universities applied knowledge concerning three key conditions of excellence:

(1) student involvement, meaning how much time, energy, and effort students devote to the learning process;

9/ Ibid., p. 16.

(2) high expectations, including both graduation requirements and standards relating to the level of performance expected; and

(3) assessment and feedback, involving the use of information to judge performance and redirect effort.

The specific recommendations of the Study Group concerning each of these three conditions of excellence as they directly concern college educators are provided in the succeeding three sections of "Involvement in Learning," followed by two additional sections of recommendations that are directed first to graduate schools and certain external agencies, and then to students.

RECOMMENDATIONS FOR INCREASING STUDENT INVOLVEMENT

"Involvement in Learning" discusses seven specific recommendations for college administrators and faculty to enhance student involvement. These seven recommendations are:

(1) College administrators should reallocate faculty and other instructional resources to increase services for first and second year undergraduate students.

(2) Faculty should make greater use of teaching approaches that require students to more actively participate in the learning process.

(3) Learning technologies should be designed to increase the degree of personal contact between students and faculty on intellectual matters.

(4) All colleges should offer a systematic program of guidance and advisement that involves students from entrance through graduation. Student affairs personnel, peer counselors, faculty, and administrators should all participate in this process.

(5) Every institution of higher education should strive to establish learning communities organized around specific intellectual themes or tasks.

(6) Academic and student service administrators should provide adequate fiscal support, space, and recognition to existing co-curricular programs and activities in order to maximize student involvement for full-time, part-time and commuter students.

(7) Academic administrators should consolidate as many part-time teaching positions into full-time ones as possible.

RECOMMENDATIONS FOR REALIZING HIGH EXPECTATIONS

To elevate the level of educational outcomes sought by students and postsecondary institutions, eight additional recommendations for college administrators and faculty are provided in "Involvement in Learning." These are:

(8) The faculty and chief academic officers in each institution should agree upon and disseminate a statement of the knowledge, capacities, and skills that students must develop prior to graduation.

(9) All bachelor's degree recipients should have at least 2 full years of liberal education, which would require extending undergraduate degree programs beyond the usual 4 years in the case of most professional fields.

(10) Liberal education requirements should be expanded and reinvigorated to ensure that: (a) curriculum content addresses the development of the capacities of analysis, problem solving, communication, and synthesis as well as subject matter; and (b) students and faculty integrate knowledge from various disciplines.

(11) Each institution should examine and adjust curriculum content and delivery to match the knowledge, capabilities, and skills it expects students to develop.

(12) Community colleges, colleges, and universities should supplement their credit system with proficiency assessments both in liberal education and the student's major as a condition of awarding degrees.

(13) Institutions should offer necessary remedial courses, but should set standards and use instructional techniques in such programs that will enable students to perform well subsequently in college-level courses.

(14) In rewarding faculty through retention, promotion, tenure, and compensation, all college officials directly responsible for personnel decisions should define scholarship broadly and demand that faculty demonstrate that scholarship.

(15) College presidents should strive to ensure that the behavior of their institutions evidences the ideals of honesty, justice, freedom, equality, generosity, and respect for others--the necessary values of community.

RECOMMENDATIONS FOR ASSESSMENT AND PROVIDING FEEDBACK

"Involvement in Learning" also contains five recommendations for educators for the improvement of learning assessment and feedback. These are:

(16) Faculty and academic deans should design and implement a systematic program to assess the knowledge, capacities, and skills developed by students in academic and cocurricular programs.

(17) In revising current assessment systems, academic administrators and faculty should ensure that the instruments and methods used are appropriate for: (a) the knowledge, capacities, and skills addressed; and (b) the stated objectives of undergraduate education at their institutions.

(18) Faculty should participate in the development, adoption, administration, and scoring of the instruments and procedures used in student assessment and in the ways of using assessment as a teaching tool.

(19) College officials directly responsible for faculty personnel decisions should increase the weight given to teaching when hiring and determining retention, tenure, promotion, and compensation, and should also improve the means of assessing teaching effectiveness.

(20) Student evaluations of academic programs and the learning environment should be conducted regularly, with the results widely disseminated as a basis for strengthening the quality of undergraduate education.

IMPLICATIONS OF THE CONDITIONS OF EXCELLENCE

In this section of "Involvement in Learning," seven specific recommendations for improving educational outcomes are addressed to graduate schools and such external agencies as accrediting bodies, State legislatures, and the research community. These are:

(21) Graduate departments should require applicants for admission to present evidence of a broad undergraduate liberal arts education as a balance to the specialization of graduate education.

(22) Graduate deans and department chairs should develop ways of helping prospective faculty in all disciplines: (a) to learn about the history, organization, and culture of American higher education, and (b) to develop their understanding of teaching and learning.

(23) State and system-level officials should minimize the intrusions of administrative and fiscal agencies into the daily and routine operations of public colleges, community colleges, and universities.

(24) Accrediting agencies should hold colleges, community colleges, and universities accountable for: (a) clear statements of expectations for student learning; (b) appropriate assessment programs to determine whether those expectations are being met; and (c) systematic efforts to improve learning based on such assessment.

(25) State officials should establish special and alternative funding for both public and private institutions to encourage efforts that promote student involvement in learning and institutional assessment.

(26) State legislatures and boards of trustees should reverse the decline in faculty purchasing power by increasing faculty salaries at a rate greater than inflation.

(27) Federal and State agencies, private foundations, colleges and universities, research organizations, and researchers concerned with higher education should focus their funding strategies and research activities on how to facilitate greater student learning and development.

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ADVICE TO STUDENTS

The final section of 'Involvement in Learning' offers some advice to students regarding actions they might take to make the most of their undergraduate education. Paralleling the overall sequence by category of recommendations made to educators--i.e., increasing student involvement, realizing high expectations, and improving assessment and feedback--the report makes the following suggestions to students to improve the quality of their learning experience.

--Seek out a faculty member who can be an intellectual mentor, an adviser, and a friend.

--Take particular advantage of available advising and counseling services during the first 2 years of college.

--Make every effort to involve yourself in some campus activity, club, or organization that will require you to draw on what has been learned in coursework.

--Give some thought as to how you can contribute to the life of the campus, through such activities as peer counseling and tutoring, student government, service organizations, or other activities.

--Try to attend college full-time for at least part of your student career even if you are currently employed full-time, or have family responsibilities.

--Do not work simply to enhance your economic life-style while in college. If you have to work, try to find a job on or near campus, or a business frequented by students. Try to limit employment to a maximum of 15 to 20 hours per week.

--Make sure that you have at least one independent study course and internship during your college career, and that these experiences involve research and the chance to apply theory to problems in the world beyond the campus.

--By the sophomore and junior years, a student should be capable of demonstrating a general ability to analyze and synthesize material in areas both within and outside the major and minor areas of study.

--Insist on participating in regular evaluations of your institution's program offerings and environments, including evaluations concerning institution goals, course sequences, instructional methods, and ways to make the environment more conducive to student involvement.

"Involvement in Learning" closes with a final word to students which stresses the need for intelligent and knowledgeable citizens in the years ahead, and which underscores the theme that students take the risks to get as involved as they can in their own education.

APPENDICES

In addition to the body of the report, "Involvement in Learning" includes four appendices. The first appendix summarizes an interim report of the Study Group; the second lists each of the commissioned papers and staff analyses; the third acknowledges both individuals and agencies that contributed to the report; and the fourth provides biographies of the seven Study Group members and principal staff.

Besides chairman Kenneth P. Mortimer of Pennsylvania State University, the remaining six Study Group members include: Alexander W. Astin, University of California, Los Angeles; J. Herman Blake, Tougaloo College; Howard R. Bowen, Claremont Graduate School; Zelda F. Gamson, University of Michigan; Harold L. Hodgkinson, Institute for Educational Leadership; and Barbara Lee, Rutgers University.

APPENDIX B
REPORTS FROM THE NATIONAL COMMISSION ON STUDENT FINANCIAL ASSISTANCE

The National Commission on Student Financial Assistance was established by the Congress in 1980 (P.L. 96-374). The Commission was composed of 12 members, with four each being appointed by the President, Speaker of the House of Representatives, and Majority Leader of the Senate. As stated in section 491 of P.L. 96-374, the general legislative charge to the Commission was to study the following areas:

1. capacity of the current student assistance programs, review of perceived problems and issues, and the potential impact of the program on students and parents;
2. adequacy of the insurance premium charged by the insurer on guaranteed student loans (GSLs);
3. improved methods for determining the quarterly rate of special allowances in the GSL program;
4. alternative approaches for determining institutional eligibility;
5. criteria for determining satisfactory progress by students;
6. effect of student assistance programs on access and choice;
7. student assistance programs for graduate students; and
8. recapture of the interest subsidy from borrowers who do not obtain loans by reason of need or who borrow funds for graduate study in the GSL program.

Initially, the Chairman of the Commission was Congressman William Ford, but in late 1981, Mr. David Jones of Vanderbilt University was appointed Chairman. Some delay was encountered in starting the work of the Commission because funds were not appropriated until the last quarter of fiscal year

1981. The Commission released a series of reports dealing with the charge outlined in section 491 of P.L. 96-374; however, final reports were not provided for each study area. Summaries of the following reports of the Commission are included in remaining sections of this appendix:

1. Guaranteed Student Loans: A Background Paper; 1/
2. Study of Procedures to Eliminate the Guaranteed Student Loan In-School Interest Subsidy;
3. Study of the Insurance Premium Charged to Borrowers under the Guaranteed Student Loan Program;
4. Study of the Special Allowance Formula of the Guaranteed Student Loan Program;
5. Satisfactory Academic Progress Standards for Federal Student Aid Recipients;
6. Assuring the Effective Delivery of Student Financial Assistance;
7. Access and Choice: Equitable Financing of Postsecondary Education;
8. The Terrain of Postsecondary Education; and 1/
9. Signs of Trouble and Erosion: A Report on Graduate Education in America. 1/

In accordance with the charge given to the Commission, most of the content of the documents was focused on the current system of Federal student assistance. Research efforts were oriented toward technical issues related to the existing programs. In several cases, the reports contain findings and recommendations on the topic, and conclude with suggestions for additional research.

THE RECOMMENDATIONS REFERRED TO IN THE FOLLOWING SUMMARIES ARE THOSE FROM THE COMMISSION IN THE INDIVIDUAL REPORTS AND SHOULD NOT BE CONSTRUED AS RECOMMENDATIONS OF THE CONGRESSIONAL RESEARCH SERVICE.

1/ These reports are essentially background papers. Nos. 1 and 2 are mainly descriptive, but no. 9 addresses a range of topics and problems related to graduate programs and students and concludes with a series of detailed recommendations.

ABSTRACT--REPORT No. 1
GUARANTEED STUDENT LOANS: A BACKGROUND PAPER

In contrast to most of the following reports, this document is a background, descriptive paper on the Guaranteed Student Loan program. The report contains a discussion of the evolution of the program, recipients or participants, program operational procedures, and cost of the program.

This program is a Federal effort to assist students in securing loans to finance their postsecondary education. The Federal Government does not make the loans; they are made by a variety of lenders, and the Federal Government guarantees the loans. In addition, the Federal program provides incentive payments to lenders and makes interest subsidy payments on behalf of students until loans are repaid.

This program is the largest single source of student financial assistance in America. Begun as a modest program that provided an alternative to tuition tax credits, the program has expanded so that an increasing number of students can participate. For a period of time, every American family, without regard to income, could participate in the program. Recently, the Congress has limited eligibility to the program, and the costs to the Federal Government have been reduced.

Program rules that have changed since the original Act include:

1. criteria for determining borrower eligibility;
2. interest rate charged to the borrower;

3. maximum loan amounts on an annual basis and cumulatively; and
4. loan origination fee deducted from the face value of the loan.

Cost components of the program are related to both loan volume and interest rates. Irrespective of the size of the loan, the lender incurs certain administrative costs for each transaction. The principal (but not sole) Federal costs are related to the interest subsidy. The precise annual cost of the program cannot be predicted because of variations in lender volume, interest rates, and defaults or other inabilities to pay. Federal costs of the program are determined by the following:

1. the interest subsidy paid to the holder of the loan while the borrower remains in school and the grace period thereafter;
2. the special allowance paid each quarter over the life of the loan to the holder of the loan as compensation for the difference between the statutorily set interest rate for the borrower and market rate of return;
3. payments as a result of the death, disability, default or bankruptcy of the borrower; and
4. Federal Government operating expenses incurred in maintaining the Guaranteed Student Loan program.

The report noted that limited information was available about the program. Areas of concern include the various ways in which the program impacts on different types of students, institutions of higher education, lending institutions, and the Federal Government. Possible areas of research include:

1. demographic and program profiles of the borrowers;
2. costs of the program borne by the higher education institution;
3. alternative lending procedures that might reduce the Federal cost of the program; and
4. impact of changes in eligibility on college attendance.

ABSTRACT--REPORT No. 2
STUDY OF PROCEDURES TO ELIMINATE THE GUARANTEED STUDENT LOAN IN-SCHOOL INTEREST SUBSIDY

The in-school interest subsidy is a basic component of the Guaranteed Student Loan program. During the period that the student is in school and for a grace period before payment is scheduled to begin, the Federal Government pays the lender the interest on the student's loan. Various aspects of the manner in which the subsidy operates are reviewed in the report. The subsidy is a major cost component in the Guaranteed Student Loan program. During FY 1982, the costs of this subsidy were approximately 35 percent of the cost of the entire program.

Various proposals have been presented to eliminate the current in-school interest subsidy. Proposals fall into four basic categories:

1. borrower pays interest while in school;
2. accrual of interest while borrower is in school, with deferred payment of both accrued interest and principal after borrower leaves school;
3. immediate "up-front" payment of in-school interest through additional borrowing; and
4. continued Federal payment of interest to the lender, with borrower repaying the Federal Government either directly or indirectly.

The various options were analyzed in terms of the potential impact on the willingness of the lender to make loans and the burden that would be placed on the student borrower. The report concluded that lenders would be confronted with increased workloads and reduced profitability and that secondary markets likely would be less interested in unsubsidized loans. In addition, the report concluded that deferred payment or accrued interest plans likely would serve as disincentives to lenders.

From the perspective of the student, payment of interest obligations during the schooling years was viewed as a hardship. The delay of interest until after school would result in dramatic increases in total indebtedness and repayment burden. The report projected that the increases in debt might lead to higher default rates and greater costs for reinsuring the loans.

The report concluded that the interest subsidy was an essential part of the current Guaranteed Student Loan program. The contention was that lenders would withdraw from the program if the in-school interest subsidy were to be terminated. Further, if the in-school interest subsidy were terminated, the study concluded that those students who did secure loans would have difficulties making payments during either the in-school period or the after-school period.

The Commission strongly supported the retention of the in-school interest subsidy in its current form.

ABSTRACT--REPORT No. 3
STUDY OF THE INSURANCE PREMIUM CHARGED TO BORROWERS UNDER THE GUARANTEED STUDENT LOAN PROGRAM

Under the Guaranteed Student Loan (GSL) program, State loan guaranty agencies usually charge an insurance premium fee to borrowers in case the students default. The term "insurance premium" is misleading since the guaranty agencies are reinsured by the Federal Government for most loan losses. Loan insurance premium income is used primarily to pay agency operating expenses, to ease cash flow problems, and to increase agency reserve funds. One problem is that, despite the current guarantee and reinsurance mechanism, guarantee agencies are still influenced by traditional desires of lenders and bondholders concerning the unlikely event of uncompensated defaults.

The report indicated that premium rates varied from "0" to the statutory maximum of 1.0 percent per annum. No premium was being charged in 2 States, a 0.5 percent premium in 6 instances, a .75 percent premium in 3 States, and 1.0 percent in 40 States. In addition, the period for which the premium is charged also varies; ranging from only the in-school and grace period to the full life of the loan. For fiscal year 1981, insurance premiums represented about 22 percent of the guaranty agencies' total funds.

The report's major recommendations concerning the insurance premiums were:

1. retain the concept of an administrative cost allowance, but change the name "insurance premium" to "service fee;"
2. change the current reinsurance formula to 100 percent reinsurance and require the Federal Government to pay all claims within 60 days subject to postaudit verification;

3. develop minimum standards for due diligence to assure that guaranty agencies maintain current levels of effectiveness in avoiding borrower defaults under the proposed 100 percent reinsurance provision; and

4. direct that each guaranty agency establish a working capital fund for the payment of agency defaults and administrative expenses, tie the service fee (insurance premium) to the level of the working capital fund, and require the guaranty agency to return Federal reserve and advance monies when the agency's working capital fund is sufficient.

As areas for further consideration by the Executive Branch and the Congress, the study recommended that consideration be given to: (1) the alternative of placing greater responsibility for loan defaults on State and private guaranty programs to encourage better utilization of reserve funds in these agencies; and (2) the shift of some of the costs of defaults from the Federal Government to the State and private guaranty agencies.

ABSTRACT--REPORT No. 4
STUDY OF THE SPECIAL ALLOWANCE FORMULA OF THE GUARANTEED STUDENT LOAN PROGRAM

The Federal Government pays to the loan holder a special allowance each quarter over the life of the loan to compensate for the difference between the statutorily set interest rate charged to borrowers and the "market rate" of return. The special allowance is paid until the loan is fully repaid, defaulted, or cancelled due to bankruptcy, total and permanent disability, or death.

Research and hearings on this subject indicated that the special allowance formula was only one of several interrelated program provisions that had contributed to lender participation and the supply of loan capital. Any changes likely would be perceived as increasing the risks to the lender and might result in a reduction in program participation. In addition, the level of the special allowance was viewed as critical to reduce the likelihood of disruptions in the supply of education loan capital and less lender interest in the program. The study also stated that no conclusive evidence was found that lender profit was excessive or above the amounts needed for participation in the program.

The principal recommendation was that the special allowante formula should be retained in its current form.

The report indicated that the following issues merit further consideration:

1. special allowances to encourage availability of small loans;
2. different special allowance levels during the repayment period and the in-school period to recognize the differing costs of servicing loans during these two periods;
3. differences in the special allowance based on the lender's size or the size of the lender's portfolio of student loans to recognize economies of scale;
4. possible adjustments in the special allowance for those lenders which raise capital through tax-exempt bonds (which is lower than that otherwise provided);
5. potential impact on the supply of loan capital in the new environment of bank deregulation and the increased cost of funds; and
6. comparison of the yield on Guaranteed Student Loans with that received by lenders on other loans.

ABSTRACT--REPORT No. 5
SATISFACTORY ACADEMIC PROGRESS STANDARDS FOR FEDERAL STUDENT AID RECIPIENTS

The identification and application of appropriate procedures for determining satisfactory progress for recipients of student financial assistance under title IV of the Higher Education Act have been matters of concern for several years. Issues include the standards to be used in determining "satisfactory progress," the degree to which institutions will be permitted to use self-regulation on this matter, and the impact that Federal standards would have on the autonomy of higher education institutions.

In an effort to promote the concept of self-regulation, under the auspices of the American Council on Education, a set of guidelines was developed for institutions to use in designing their standards of academic progress. The report indicated that a survey of student financial aid officers in higher education institutions had indicated that a majority of postsecondary institutions were actively reviewing their academic progress standards as a part of the self-regulation initiative. Following release of the guidelines developed during this self-regulatory initiative, the Department of Education published a proposed rule that incorporated the principles of the guidelines developed in the self-regulation effort.

The major concerns of this report were that no systematic effort had been made to assess the current standards and that the enforcement of these standards was not being sufficiently monitored. In an effort to remedy these deficiencies, the report included a comprehensive set of interrelated recommendations.

First, it was recommended that the Department of Education adopt as regulations the guidelines included in the self-regulation initiative. Institutions would then develop their own standards and submit them to the Department of Education for evaluation to determine their compatability with the Department's rule. The results of this evaluation would then be submitted to Congress. The Department would be required to review the standards to ensure that they meet the specifications in the rule. Institutions would be required to submit any revisions to the Department, and the Department would be required to review the standards during audits of postsecondary institutions. Further, each institution would include a summary of its standards with aid-award letters sent to student aid recipients. Lastly, the report urged the Department to work with the higher education community on this issue and to include the recognized accrediting agencies in the effort.

ABSTRACT--REPORT No. 6
ASSURING THE EFFECTIVE DELIVERY OF STUDENT FINANCIAL ASSISTANCE

The Commission focused attention on the need for more efficient and effective systems for delivering student assistance and administering the Guaranteed Student Loan program. The current delivery system was perceived to be confusing, unpredictable, and unstable. The recommendations also relate to delivery systems for Pell Grant and campus-based assistance programs.

Problems identified by the Commission include inefficiencies, lack of timeliness, and burdensome administrative requirements. Most of the recommendations presented by the Commission involved administrative changes and were proposed as being minimal or no cost items that could be implemented through the regulatory process.

Recommendations in this report include:

1. establishment of a "master calendar" for all aspects of the student assistance program;
2. issuance of regulations in final form no later than 1 year before the academic year for which they will apply;
3. prompt delivery of regulatory changes that include "lay language" interpretations of the rules;
4. use of automated systems for delivering student financial assistance;
5. improved program efficiency and procedures for delivery of Pell Grants to recipients;
6. procedures for dissemination of information;

7. continuation of the roles of the guaranty agencies in working with the Federal Government in the administration and delivery of student loans, reduction and collection of defaulted loans, and collection of program data;

8. development of a national data base on student assistance program processes and participants;

9. standardization of reporting forms and student application forms;

10. improvement of administration and monitoring procedures to reduce student loan defaults; and

11. improved collection procedures for loans in default.

ABSTRACT--REPORT No. 7
ACCESS AND CHOICE: EQUITABLE FINANCING OF POSTSECONDARY EDUCATION

This report addresses the impact that student assistance programs have had on access and choice, and examines the sources of student financial assistance. Current programs appear to have resulted in progress toward access for all postsecondary students to higher education opportunities, but more remains to be done. The report contends that inflation coupled with inadequate funding of need-based programs has impacted most heavily on low-income and minority students.

Efforts were made to identify problems related to availability of student loans. The principal problems were that lenders: (1) often wanted a previous customer relationship before making a loan; (2) were unwilling to make loans to out-of-state students; and (3) were hesitant to make loans to students enrolled in less than 2-year programs.

Principal recommendations were:

1. Federal grant programs for low-income students, such as the Pell Grant program, should be continued and expanded to assist low-income and minority students in their efforts to gain access to postsecondary institutions;
2. campus-based programs and work-study programs should be continued and expanded to the point that the funding for these programs more accurately reflects the current cost of attendance, and also should continue to be targeted on low-income and minority students;
3. additional emphasis should be placed on federally-funded work-study and cooperative education programs;

4. efforts should be made to expand private sector support for cooperative education programs and employment-based student tuition aid;

5. funding for TRIO programs to serve needy students should be increased, and high schools and postsecondary institutions should increase their efforts to serve these students;

6. postsecondary financial aid information should be made available to high school students beginning in the ninth grade;

7. efforts should be made to increase the stability in funding and procedures for student financial assistance programs, and consideration should be given to the development and distribution of a master calendar; and

8. the Congress should review current Federal public assistance programs to determine if existing provisions serve as disincentives for unemployed and poor persons to receive retraining and education, and should be modified or eliminated so that these persons will be encouraged to re-enter the workforce.

ABSTRACT
SIGNS OF TROUBLE AND EROSION:
A REPORT ON GRADUATE EDUCATION IN AMERICA

This report discusses the health of graduate education as a whole rather than being restricted simply to student financial assistance. The assumption of the report is that research and graduate education are inseparable and are important to the national productivity, economy, diplomacy, security, and quality of American life.

Various sections of the report deal with the importance of graduate education and research, current problems, and the contributing factors. The contention is that graduate research plays a key role in the solution of problems related to national defense, industrial and economic development, and domestic social issues. Various warning signs were identified related to the quality of faculty and students in certain areas, inadequate and obsolete laboratories, reduced employment opportunities for new faculty, decline in the quality of library collections, and a crisis in the humanities and social sciences.

As Federal solutions for these problems in graduate education, the report makes the following recommendations:

1. increase the number of graduate fellowships in all disciplines;
2. increase Federal funds for research with an accompanying increase in the number of funded research assistants;
3. increase the funds for the College Work-Study program and dedicate a portion of the funds for graduate students;

4. continue the current provisions for graduate students to participate in the Guaranteed Student Loan and National Direct Student Loan programs with the same interest subsidy as for undergraduates, increase loan limits for professional students, and make students immediately eligible upon entering graduate school;

5. increase the programs and opportunities that are intended to encourage talented women to pursue careers in fields of study in which they are currently underrepresented;

6. expand the programs for minority graduate students, especially those related to law, nursing, medicine, health sciences, science, and engineering;

7. encourage undergraduate minority students to enter programs in areas in which the underrepresentation and recruitment problems are most severe;

8. increase the Federal support for basic and applied research at colleges and universities at a rate at least sufficient to keep pace with inflation;

9. adopt policies and funding practices in Federal research grant programs that will ensure stable and long term support for research;

10. increase Federal funds for improvement and modernization of university laboratories, equipment, and instrumentation;

11. provide tax incentives and matching grants to encourage private sector contributions of equipment to universities;

12. increase funding and develop comprehensive cooperative programs for the improvement of college and university libraries, especially those in major research universities;

13. provide support for promising young faculty members, especially those in the science and engineering fields;

14. increase support for research, instruction, and graduate study in foreign languages and other cultures; and

15. develop a comprehensive data system on graduate education.

ABSTRACT
THE TERRAIN OF POSTSECONDARY EDUCATION

This report provides an overview of particular segments of postsecondary education in a series of nine independent chapters. Each was written separately, and some overlap exists in those cases where the topics were not mutually exclusive. Topics include an overview of the current status of higher education, education and training in the future labor force, the Federal role in postsecondary education, undergraduate education, graduate and professional education, proprietary vocational schools, corporate education and training, education and training in labor unions, education and training in the Federal Government, and an agenda for future research.

The total report with appendices is about 200 pages in length and contains background discussions as well as extensive statistical and descriptive information.

In the concluding chapter, several areas are identified in which additional information or research is needed to fill information gaps. Areas of interest include the following:

1. factors influencing choices of full-time, part-time, and returning undergraduate students;
2. longitudinal studies of college students to ascertain dropout, stopout, and re-entry rates;
3. programs and processes for improving participation rates for minority students;
4. factors affecting decisions to attend graduate school;

5. background information on home country, discipline choices, sources of financial support, completion rate, and post-graduation employment of international students;

6. Federal program participation rates, program completion rates, and loan default rates for proprietary school students;

7. magnitude and purpose of corporate education and training programs;

8. development of a data system for gathering continuing information about education and training being conducted by labor unions; and

9. assessment of the scope, nature, and effectiveness of Federal involvement in and funding of education and training programs.

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